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COMMISSION

SECTION II—

**REPORT**

**OF THE**

**STUDY GROUP ON WORKER PARTICIPATION**

**IN MANAGEMENT**

**1957**

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## **INTRODUCTORY**

The Second Five-Year Plan has explained the philosophy of worker-management relationship in the following terms :—

**"A socialist society is built up not solely on monetary incentives, but on ideas of service to society and the willingness on the part of the latter to recognise such service. It is necessary in this context that the worker should be made to feel that in his own way he is helping to build a progressive state. The creation of industrial democracy, therefore, is a pre-requisite for the establishment of a socialist society.**

**"For the successful implementation of the Plan, increased association of labour with management is necessary. Such a measure would help in**

- (a) promoting increased productivity for the general benefit of the enterprise, the employees and the community,**
- (b) giving employees a better understanding of their role in the working of industry and of the process of production, and**
- (c) satisfying the workers' urge for self expression, thus leading to industrial peace, better relations and increased cooperation.**

**This could be achieved by providing for councils of management consisting of representatives of management, technicians and workers. It should be the responsibility of the management to supply such a council of management a fair and correct statement of all relevant information which would enable the council to function effectively. A council of management should be entitled to discuss various matters pertaining to the establishment and to recommend steps for its better working. Matters which fall within the purview of collective bargaining should, however, be excluded from the scope of discussion in the council. To begin with, the proposal should be tried out in large establishments in organised industries. The basis of advance should be regulated and any extension of the scheme should be in the light of the experience gained."**

**These recommendations express, in general terms, the approach towards the problem of worker-management relationship which Government and Parliament have accepted. The approach is pragmatic and flexible. It avoids discussions of doctrine but takes into account the human desire to take part in decisions concerning what one is doing and the practical necessity of recognising this desire in interest both of productivity and of industrial peace.**

**The subject is a complex one and in order that a first-hand study may be available of the many problems of detail which arise in**

giving content to the broad recommendation quoted above, Government decided to send abroad a study group consisting of the following :—

Shri Michael John, M.P.,  
President, Tata Workers' Union, Jamshedpur.

Shri J. N. Mitra,  
President, Hind Mazdoor Sabha, Calcutta.

Shri S. R. Vasavada,  
President, Indian National Trade Union Congress, Ahmedabad.

Shri Naval H. Tata,  
Director, Tata Industries, Bombay.

Shri L. N. Birla,  
of Birla Brothers, Calcutta.

Shri Y. P. Kulkarni,  
Director, Railway Board, New Delhi.

Shri R.B.L. Mathur,  
Deputy Chief Mechanical Engineers,  
Eastern Railway,  
Jamalpur.

Shri S. Krishnaswamy,  
Under Secretary,  
Ministry of Production.

Shri D. Rajagopal,  
Personnel Manager,  
Hindustan Machine Tools Ltd.,  
Bangalore.

Shri Vishnu Sahay,  
Secretary, Ministry of Labour.

Shri Naval Tata, Shri S. R. Vasavada and Shri L. N. Birla were in the event unable to accompany the Group owing to unavoidable reasons.

The Study Group arrived in Paris on the 12th October, 1956 and held a series of conferences with employers both in the public and the private sectors, with representatives of trade unions and with representatives of the French Government. In order to make the best use of the time available, the Study Group concentrated on questions leading to evaluation and assessment rather than those dealing merely with a description of the various systems, information about which was already available to a large extent in the literature studied by the Group. After Paris, the Group visited Brussels, London, Stockholm, Dusseldorf, Frankfurt, Bonn, Belgrade and Geneva. Information about the persons interviewed and the organisations visited is contained in Appendix I.

To provide a convenient focus for a proper consideration of the different issues of detail which are likely to arise in implementing the recommendation of the plan, the Group adopted, at the start of the study, a questionnaire which is reproduced in Appendix II. In the first section of the report we present a brief description of the systems of workers participation in management in the countries we visited. This should be supplemented with the fuller comparative information contained in the paper, reproduced as Appendix III, which the International Labour Office kindly prepared for our use. In the next section, we have attempted analysis and evaluation. The final section contains our answers to the questionnaire, supplemented by observations on the steps necessary for creating the appropriate background for worker participation.

The Group wishes to take this opportunity of thanking all those who, in the midst of their many pre-occupations, found the time to meet the Group and hold discussions with it. The Group also wishes to thank the Employers' Organisations, the Trade Unions and the Government mentioned in Appendix I for the arrangements made for the study and for the very generous hospitality received by it in every country. A word of gratitude is also due to the various Indian Embassies which took great trouble in organising the study.

The Group is indebted to various commentators, governments, institutes, federations of employers and of trade unions and international organisations like the I.L.O. and the I.C.F.T.U., whose publications have been freely drawn upon, often without acknowledgment, in preparing this report. We lay no claim to original research and that is our excuse for this omnibus method of acknowledging our obligation to all those who have contributed to our work.

## II

### WORKER PARTICIPATION IN CERTAIN EUROPEAN COUNTRIES

Arrangements for worker participation in management differ from country to country. The systems evolved in the countries visited by the Group differ not only in form but also in the degree of participation practised. In the United Kingdom and Sweden participation is practised through joint bodies which have only an advisory status and which have been set up by agreement generally without any legal compulsion. In Belgium, France, and Germany, on the other hand, the machinery for participation is based on legal sanction and, in the last two countries, workers are represented also on the boards of management. At the other end is Yugoslavia, where undertakings are run by the employees themselves through an elected council and a management board.

The systems in the different countries differ in respect of the range of subjects handled by the participation machinery, in the degree of authority exercised with regard to these subjects and finally, in the methods of selection of workers' representatives. In France, for instance, though the functions of the Works Committees are generally advisory as in the United Kingdom, welfare schemes are usually administered by them. Again, workers' representatives are often elected by the general body of workers by secret ballot, but in some countries the election is limited to the list of candidates drawn up by the Unions. There are instance also of direct nomination by trade unions. A brief account of the current systems of worker participation in the countries visited by the Group is given in the following paragraphs.

#### United Kingdom

Worker participation is practised in the United Kingdom through joint consultative committees set up for this purpose both in the private and public sectors of industry. Before the first World War there were few such joint bodies in existence. But the recommendations of the Whitley Committee in 1917 provided a stimulus to their growth. Progress, however, was slow till the Second World War when the need for sustaining the great productive effort required by the war led to the formation of joint production committees on a large scale. The advantages of joint arrangements for regular discussions between workers and management even in the post-war period were readily realised and in 1947, the National Joint Advisory Council recommended the setting up of joint consultative machinery where it did not already exist. In the public sector, the nationalisation laws required that such bodies should be set up in the nationalised under-

takings or, where they already existed, full use should be made of them.

These joint consultative bodies are based on agreements between the management and the trade unions. They have a variety of structure. The majority of firms, and especially the smaller ones, have a single committee which may have sub-committees. Others have a main committee and separate departmental committees. Large factories generally have a number of shop committees which elect representatives to departmental committees which in turn send representatives to the committee at the top level. Again, in the large nationalised industries like coal and electricity there are joint consultative bodies at the National, Division (or district), and Area (or local) levels.

The Committees consist normally of representatives of management and employees, the employees' representatives being elected by secret ballot and the management representatives appointed by the chief executive. A minimum length of service (usually one year) and a minimum age limit (usually 18 years) are required as an employee's qualifications both for voting and for membership of the Committee. In many cases candidates for election have to be union members, though non-members are also allowed to vote. For purposes of election employees are often grouped by departments or jobs, by sex, skill, trade union membership or shifts. Shop Stewards are at times given ex-officio representation.

The constitution of a committee generally provides for such matters as the number of members to be elected by the employees or appointed by managements, the subjects which can be discussed, methods of implementing the committee's recommendations, frequency of meetings, payment for attendance and powers to appoint sub-committees. Meetings are generally held during working hours and delegates receive their full earnings for the time spent.

The functions of the joint consultative committees generally include the following :

- (i) The safety, health and welfare of employees ;
- (ii) Questions of training, education, works rules and codes of discipline and other personnel problems ;
- (iii) Improvement in the methods of production, efficient use of the maximum number of production hours, economy in the use of materials ;
- (iv) Encouragement of suggestions for improvements within the factory.

There is a growing practice on the part of the management to consult these bodies on the state of grade, financial policy, production programmes, distribution of profits, etc. on the other hand, questions relating to wages, conditions of employment and other matters which are normally the subject of negotiation and collective bargaining are

excluded from the competence of these committees.

### Sweden

An agreement was reached in 1946 between the Employers' Confederation (SAF) on the one hand and the Trade Union Federation (LO) and the Central Organisation of Salaried Employees (TCO) on the other, providing for setting up of joint enterprise councils, which have since had a rapid growth through Sweden.

The agreement provides for the establishment of enterprise councils, composed of representatives of management, salaried and manual or production workers in firms with 25 or more employees. These councils are set up on request from either side. In large firms, councils have been established in separate plants or divisions, co-ordinated by a central committee. The size of the council varies, according to the number of workers in the concern from 3 to 7 delegates each selected by the workers and the management and from 2 to 3 selected by the salaried employees. The workers' representatives are chosen by elections organised by the local trade union to which the majority of workers belong.

The right to vote for electing workers' representatives is ordinarily limited to the members of the trade unions which have accepted the agreement. In the case of salaried employees this applies only when three quarters of the staff belong to the TCO. Candidates for election must be 21 years of age and must have been employed in the undertaking for at least one year. Meetings are usually held once in a quarter, outside working hours and delegates attending are paid a fee. The firm provides the meeting place and pays the council's expenses.

The competence of the enterprise councils as defined in the joint agreement of 1946 is as follows:—

"In its endeavours to further production of the enterprise it should be the task of the Enterprise Council to deal with questions concerning the technique, organisation, planning, and development or production, with a view to making use of the experience and insight of the employees. To this end it is the duty of the employer to supply the Council with continuous production surveys, including reports of changes undertaken or planned or other more important alterations in operating or working conditions within the enterprise, and of new products, new manufacturing or working methods, and other technical arrangements in so far as the revealing of them could not cause damage for the employer.

"The representatives of the workers and of the salaried employees on the Council may make suggestions to the employer with regard to matters mentioned above.....

"With regard to the economic position of the enterprise it is the duty of the employer to give the Enterprise Council regular information, in so far as the revealing thereof could

not cause damage for the employer, concerning business trends and the state of the market within the industry in question with special attention to the position of his own enterprise, and to supply information concerning the economic conditions of production and possible sales.

"The Council has the right to obtain from the employer the balance sheet, profit and loss statement, administration report, and auditor's report of the enterprise to the extent that the law requires publication of such reports."

The Councils are also competent to discuss cases of dismissal, discharge or lay-off. They have, however, only an advisory status and questions of wages and other subjects of negotiation are outside their scope.

### France

Genuine worker participation in its present form came in the wake of the Liberation of 1945. Works Committees and councils of various kinds had sprung up spontaneously and the position was sorted out in 1945 and joint consultation given the sanction of law which prescribed that all non-State organisations must have works committees if fifty or more workers were employed and workers' delegates if ten or more workers were employed. In the public sector, most of the nationalised industries have workers' representatives on their management boards and there is provision also in the majority of cases for works committees and workers' delegates.

The works committees are joint bodies which includes the head of the undertaking or his representative and a delegation from the staff varying in number from 2 to 8 according to the size of the establishment. Substitute delegates may also attend meetings in an advisory capacity and each recognised trade union may send an adviser to attend the meetings. The delegates are elected in accordance with the system of proportional representation on the basis of lists of candidates drawn up by the trade unions separately for workers and salaried employees. Permanent members of the committee are allowed full pay upto 20 hours a month plus time spent in meetings.

The French works committees have advisory as well as administrative functions. In the former sphere their functions include co-operation with the management in the improvement of conditions of work and living, examination of suggestions for increasing production and improvement in output, recommending rewards for valuable suggestions made by the employees and expression of opinion relating to the general organisation of the undertaking. The works committees are also to be consulted on questions concerning the organisation, management and general running of the undertaking and are entitled to give opinions on price increase, etc. Supply of information to the works committees concerning profits made by the undertaking is compulsory and the committees may make suggestions in respect of their utilisation. The members of the works committees are also entitled to receive the same documents as are sent to the share-

holders. The works committees have the further right to nominate two members to attend the meetings of the boards of directors of limited liability companies in an advisory capacity.

Apart from their advisory functions the French works committees have administrative powers in respect of welfare schemes. These include social, provident and mutual aid schemes, canteens, consumers' co-operatives, housing allotments, nurseries, holiday camps, medical services and sports activities, etc.

The principle of worker participation has been carried a step further in the public sector. The boards of directors of nationalised institutions of an industrial or commercial character are composed of representatives of the State, representatives of the Staff nominated by the most representative trade unions and representatives of the general interests of the country chosen, in most cases, by trade union federations, large-scale family associations or groups of consumers and users. At the head of each nationalised industry there is generally an administrative body and at the head of each undertaking there is a board of directors. For the industry as a whole there may be separate administrative bodies at the national, regional and local levels. Practically all these boards are tripartite and roughly one third of the members are workers' representatives nominated by the trade unions.

### **Belgium**

The Belgian system of worker participation is based on legal compulsion as in France. The provisions of the Belgian law on works councils are also similar to those of the French law. Joint works councils consisting of the manager or his representatives and a workers' delegation varying from 3 to 14 elected workers have been prescribed for practically all industrial, commercial and financial enterprises employing more than 50 workers.

The workers' delegates are elected separately for wage earners and salaried employees by secret ballot from lists of candidates proposed by the recognised trade union federations. Votes are counted in accordance with the principle of proportional representation. Though all workers are eligible to vote, only union members can seek election. A delegate must remain a union member in good standing even after election, it being open to the sponsoring union to recall him. The councils meet on company premises and delegates are paid their regular wages for the time spent in attending council meetings.

The functions of the councils include the following :—

- (i) Expression of opinion and making of suggestions regarding arrangements and conditions of working and output.
- (ii) Receiving information on productivity and general matters.
- (iii) Receiving information and documents permitting the council to ascertain the results obtained by the undertaking.
- (iv) Appointment of auditor.



- (v) Expression of opinion on all questions of an economic character.
- (vi) Drawing up of employment rules and supervision of application of industrial and social legislation.
- (vii) Supervision of general provisions concerning the social field and establishment of principles regarding classification of occupational skill, dismissal and engagement.
- (viii) Annual holidays-fixation of dates and drawing up of a roster.
- (ix) Administration of welfare schemes.
- (x) Safety and hygiene.
- (xi) Promotion of measures ensuring cooperation.

The Belgian works councils share administrative powers only in respect of matters relating to employment rules and social services. On all other questions they have only advisory powers. As usual, questions relating to wages are outside their sphere of competence.

#### **Germany (Federal Republic)**

In Germany, worker participation is known as co-determination which is conceived as having three distinct aspects, namely, (i) economic co-determination (ii) personnel co-determination and (iii) social co-determination. The first and the most important aspect of co-determination relates to management policy, the second relates to personnel policy including recruitment, transfer, discharge, etc. and the third relates to determination of piece rates, working hours, vacations, accident prevention, sanitation, etc. There are legal provisions to cover all the three aspects.

In all share companies, except those of the mining and iron and steel industries and some small units with not more than 500 employees, one-third of the members of the supervisory boards must be elected by the employees of the undertaking qualified to vote. A number, not less than two, of the employees' representatives must themselves be employed in the undertaking; the remainder need not be so employed. The employee's representatives have exactly the same rights as those of the share-holders.

For share companies of the mining and iron and steel industries there is legal provision for parity of representation of employees and share-holders on the supervisory boards. The nomination of all the <sup>on with</sup> <sup>ir fede</sup> <sup>of the</sup> remainder <sup>by</sup> the trade unions; in neither case can the nomination be challenged. It is further provided that the board of management of each company must include a labour manager with the same rights as the other members of the board; he is not considered ~~as~~ elected by majority of the employees' representatives on the supervisory

vote for him.

The German works council may be considered to be the organ for exercising functions relating to personnel and social co-determination. These councils are not joint bodies but consist exclusively of representatives elected by the workers. Their duties as defined by statute include the following :—

- (i) Making recommendations to the employer for action benefiting the undertaking and the staff.
- (ii) Ensuring application of Acts, ordinances, collective agreements and works agreements.
- (iii) Hearing employees' grievances and seeking to remedy them by negotiation with the employer.
- (iv) Promotion of employment of disabled persons and other persons in particular need of assistance.
- (v) Combating of accidents, risks and dangers to health and making appropriate suggestions and participation in the application of safety measures.

The Works Councils have the right of "Co-decision" in respect of the following matters :

- (i) The beginning and end of the daily working hours and of breaks,
- (ii) the time and place for payment of remuneration,
- (iii) the preparation of the leave schedule,
- (iv) the carrying out of vocational training,
- (v) the administration of social services limited to the undertaking or concern, irrespective of the legal status of the service,
- (vi) matters relating to order and the conduct of employees in the undertaking,
- (vii) the fixing of job and piece rates,
- (viii) the laying down of principles of remuneration and the introduction of new remuneration methods.
- (ix) Engagements, regradings, transfers and dismissals,
- (x) Reduction and cessation of operations in the whole or important departments of the undertaking,
- (xi) Removal of the whole or important departments of the undertaking.
- (xii) Amalgamation with other undertakings,
- (xiii) Important changes in the purpose or plan of the undertaking which are not clearly based on a change in the market situation,
- (xiv) Introduction of completely new work methods which are not clearly required in order to follow or promote technical progress.

## Yugoslavia

The Yugoslav system has been described as auto-management. Here the workers themselves constitute the management and there is no question of consultation or sharing of powers with representatives of private capital. The law conferring these rights on the workers proclaims that the factories, mines, communications, transport, trade, agriculture, forestry, municipal and other State economic enterprises, as national property, are to be managed by the workers' collectives, in the name of the community, within the scope of the State economic plan. The workers' collectives manage these enterprises through the workers' councils and management boards,

The workers' councils are elected for a period of one year but they, or individual members, may be recalled before their term is complete. The workers' councils elect the management boards. This board has the responsibility to the workers' councils on the hand and to the State organisation concerned, on the other. The management board is also elected for a term of one year, one-third of its members being allowed to hold office for a second term, but no one can be a member for more than two consecutive terms. While serving on the management board, the members remain at their regular jobs but they do not receive any pay for their additional responsibilities. The director of the enterprise, who is an ex-officio member of the management board and is appointed by it, is responsible for the day-to-day running of the enterprise. He is removable on the recommendation of the workers' council or the management board.

The workers' council of an enterprise is elected by secret ballot, all the workers' and technical personnel including engineers and other technicians having the right to vote. The workers' council elects its own chairman, who cannot, however, be a member of the management board. Meetings of the workers' council must be held at least once in six weeks and the chairman may convene meetings oftener at the request of the management board, the trade unions, the director or one-third of the members. Fifty per cent of the members constitute the quorum and decisions are made on the basis of a majority vote.

Workers' councils approve the basic plans and final accounts of the enterprise. They have to take decisions on the management of the enterprise and the fulfilment of the economic plan. They elect and can recall and change the management board or its individual members. They prepare the rules of the enterprise and exercise general supervision over the work of the management board and take decisions in regard to proposals made by the board. Finally, it is their responsibility to decide how the profits are to be allocated after the payment of the prescribed contributions to the Federal and Republic Governments, and local taxes to the Communes.

The management board comprises 3 to 11 members including the director, depending upon the size of the enterprise. At least three-fourths of the members must be workers, while the others are chosen from the technical personnel, engineers and other employees. The

responsibility of the management board is to draw up the proposals for the Annual Basic Plan and also to prepare the monthly operative plan. It looks after the internal organisation of the enterprise, including job classification. Questions of discipline are its responsibility as also the disposal of complaints and the hiring and firing of workers. The regulation of wages, the promotion of workers, the administration of the social insurance scheme are among its other responsibilities. Its most important function, of course, concerns the day-to-day operation of the enterprise, so as to ensure adequate production by improving techniques and increasing the productivity of labour, lowering the cost of production, and improving the quality of the product. The chairman of the management board is chosen from among its members but the director cannot be elected to that post. The quorum is 50 per cent of the members and decisions are taken on the basis of the majority principle. The members of the board are compensated for the wages lost by them in discharging their responsibilities on the board.

### III

## EVALUATION AND APPRAISAL

In the preceding section, we have given a brief outline of the existing systems of worker participation in the countries which we visited. In this section, we propose to give our own impressions and in doing so, we have largely drawn upon opinions and verdicts given to us by different persons and interests. We have not attempted to give full descriptive details ; our attempt has been to concentrate on features which provide lessons on what can with advantage be adopted in India and what had better be avoided.

### United Kingdom

The modern concept of joint consultation in the United Kingdom dates from the 1917 Whitley Report, which recognised that besides the conflict of interests between workers and management which is covered by union-employer negotiations, there is a sphere in which both sides share a common interest. The Report, therefore, advocated the setting up of a consultative machinery parallel to the negotiating machinery, to promote the common interests of both sides in industry.

The simultaneous growth of the shop steward movement, after its initial period of extremism was over, provided workers with a factory-floor leadership which could effectively consult with management.

During the inter-war period joint consultation was ignored by all but a few industrial pioneers. But it had a dramatic rebirth in the Second World War when management and workers found an obvious common interest in boosting production. Joint Production Committees were set up throughout industry under the sponsorship of the Minister of Labour, Ernest Bevin, himself a trade unionist of great influence. Many of these lapsed with the end of the war, but in 1947 a determined effort to revive them was made by the Ministry of Labour, supported by the T.U.C. and British Employer's Confederation. These three groups meet regularly for joint consultation at the national level. Representatives from the nationalised industries, where joint consultation is compulsory, are also brought into such consultation.

The attitude of the United Kingdom Ministry of Labour and National Service regarding joint consultation is best described in the following extract from an official publication :

"Successful joint consultation implies willingness on the part of the management to treat its employees collectively as an intelligent and reasonable force in the factory. In very small establishments,

employing only a few workers, no special arrangements may be needed for this purpose, but the advantage of having some kind of formal machinery of joint consultation in all firms of any size is today generally recognised by good employers.

"Although the value of a well co-ordinated system of consultative machinery is considerable, the attitude of mind with which both management and workers approach it remains of fundamental importance. The foundation of successful joint consultation is the management's willingness to treat its employees as an intelligent and responsible working force and the worker's willingness to accept the responsibility of contributing to the solution of common problems. Both management and workers must sincerely believe that the success of the enterprise will be assisted by both parties discussing matters of mutual interest. Joint consultative machinery must, moreover, be founded upon the habit of informal consultation within the ranks of management and between all levels of management and employees."

Steps were taken by the Ministry of Labour to arouse the interest of individual managements and their workers with the object of :—

- (a) promoting a fuller understanding in industry of the meaning, purpose and value of joint consultation ;
- (b) ensuring that as soon as the national organisation in an industry reached agreement on the arrangements which it considered desirable, every encouragement and assistance was given to individual firms to establish machinery in accordance with it.

With these aims in view the Regional Offices of the Ministry of Labour and National Service and the Regional Boards for Industry and their District Committees, were asked to help in promoting the development of joint consultation. Information was made available to industry through lectures, conferences or leaflets, and by approach to individual firms who wished to have more direct advice in the matter. Small conferences on discussion-group lines for firms operating joint consultative machinery were held under the auspices of the Ministry of Labour to encourage the interchange of experience and knowledge of the effective working of such machinery. In some parts of the country these conferences have formed the basis of a continuing exchange of views between firms in the areas concerned.

As far as the nationalised industries are concerned the various Acts by which they were placed under public ownership impose an obligation on the management, except where adequate machinery is already in existence, to seek consultation with the appropriate trade-unions with a view to the establishment of machinery for the promotion and encouragement of measures affecting safety, health and welfare of persons employed in those industries and for the discussions of other matters of mutual interest including efficiency in the operation of the industries.

The Government also sought to stimulate research and to extend

the available knowledge of the factors which influence the success of joint consultation. Two major research projects were sponsored by the Human Relations Panel of the Committee on Industrial Productivity set up by the Lord President of the Council. One, a study of joint consultation in a section of industry, was carried out by the National Institute of Industrial Psychology. The other was an investigation by the Tavistock Institute of Human Relations of the problem of joint consultation and communication in one particular organisation. The results of both these studies have been published.

An example of the Labour Ministry's efforts in spreading the gospel of joint consultation is the preparation of a booklet called "This is a true story" which contains a discussion by a group that had experience of joint consultation in action. A hundred thousand copies of this booklet have been distributed with the help of the British Employers' Confederation and the Trades Union Congress.

There is general recognition in the United Kingdom of the fact that effective joint consultation is not possible without adequate knowledge and understanding of industrial problems by representatives of workers or the lower ranks of managers and supervisors. Many managements have made efforts to educate their workers and junior managers in this regard and the trade unions also have taken steps to ensure that their members play an effective part as members of joint consultative committees. We were informed that valuable contribution in this regard has also been made by technical colleges in various parts of the country and by conferences of representative on consultative committees organised by the Industrial Welfare Society.

The general opinion appears to be that the joint consultative machinery should be voluntary and advisory. Research studies have indicated the wisdom of keeping procedures flexible and of fitting them to the individual undertaking. A number of general rules in good practice can indeed be embodied in a model constitution which can be circulated for guidance but the relationship between management and workers has elements which are personal and special to a firm. The joint consultative machinery is likely to succeed best when it takes account of these personal and special elements.

Emphasis was everywhere laid on the imperative necessity of developing the right attitudes. If joint consultation is adopted as a tiresome necessity, as a concession reluctantly granted or merely as a new technique of progressive management, then it will be ineffective. Both management and work-people must sincerely and confidently believe that the successful running of an enterprise will be arranged by both parties sitting round a table to discuss its problems. If there is a fear on the side of management that its authority will be lessened by such discussion or a refusal on the part of the work-people to admit that they have a contribution to make to other people's decision, joint consultation will fail.

The following is an evaluation of joint consultation in nationalised industries made in a paper produced by the Acton Society Trust :—

"When joint consultation is introduced as a result of a demand by the employees in a particular workplace, then one side at least is sure its best endeavours to make it a success. But, introduced by statute, as in the nationalised industries, it has too often happened that neither side knew nor cared what it was all about: there have been many cases where the transactions of a committee have been confined to drinking a cup of tea, drawing the attendance fee, and arranging the date of the next meeting. Some of the lessons of the Whitley experience have apparently yet to be learnt. Possibly, on a similar future occasion, it would be preferable to enact that joint consultation must be established whenever a specified number of employees demand it.

"But perhaps the most serious omission in the present arrangements is the general failure to provide any machinery for passing information about the work of the committees to the men they represent—a failure perhaps connected with the failure of the (Nationalisation) Acts to mention the matter. With certain honourable exceptions, few of those responsible have given attention to this crucial matter, and arrangements are left almost entirely to local initiative.

"Three factors may be distinguished in the working of joint consultation which prevents it from developing on the lines expected.

"The first factor is the unions' insistence on uniformity of treatment and their desire to apply decisions over the largest possible area.

"The second factor is the apprehensions of management. There appears to be little doubt that many managers are on the defensive where joint consultation is concerned and see in it a threat to their own authority and status.

"The third and the most important factor is the over-riding tendency of management and the trade unions to treat consultation as a method of exerting power, rather than as a method of exchanging views. As a result, joint consultation does little to secure the results hoped for by many of its supporters, namely to provide management with advice and to give employees a feeling of participation.

"Because these attitudes are so deep-rooted and powerful, there is little value in simply suggesting modifications to the existing structure while they remain unchanged. Indeed, it is certain that any proposed modifications which appeared to threaten the 'prerogatives' of either side would be rejected. Hence the basic need is for a clearer definition of what is meant by "advisory" and a genuine acceptance by both sides of the agreed definition. These are realities of the situation, but it is not the case that they are generally recognised."

The following is an assessment made from a different angle by an observer connected with conservative financial circles:—

"That joint consultation at national level is fruitful need not be



doubted, but at factory level the story is very different, both in nationalised and private industry. It requires little efforts to see why this should be so.

"First, it is easy to exaggerate the extent to which workers' and employers' interests coincide in peace time. Employers have found that whereas their main interest in consultation is to find ways of raising efficiency, workers are (at least initially) almost exclusively interested in welfare questions. The response of management over such seemingly trivial matters as the quality of canteen tea is widely taken by the men to be a test of its sincerity in introducing joint consultation, and it is a safe bet that unless such complaints are taken seriously the interest of workers in improving efficiency will never be aroused.

"Second, joint consultative committees are handicapped by the fact that they are precluded from discussing the subjects of most immediate interest to the workers—wages and working conditions. In fact the neat division drawn by the Whitley Committee between matters suitable for negotiation and those suitable for consultation has proved unrealistic. In a few cases, such as the gas industry, the difficulty has been solved by making the same body on the workers' side responsible for both functions. But elsewhere there has been continual confusion, and too often the result has been that any matter to which the workers attach major importance has by-passed the consultative machinery and become a matter for negotiation.

"This is natural, when it is remembered that in negotiation the final decision is jointly arrived at whereas in consultation the ultimate power rests firmly with management. That this should be so has been insisted on since 1944 by the T.U.C. as well as by employers. A joint consultative committee cannot be given executive powers. Quite apart from other considerations, shareholders could then rightly demand representation on it. But the fact that it has no executive power can lead to serious frustration among workers' representation on a consultative committee, and to the suspicion that they are being used as guinea pigs in a paternalistic hobby.

"Third, by cutting across the normal channels of command and communication in industry, joint consultation can and does arouse the antagonism of powerful forces in management, the foremen and supervisory grades, the trade unions and (where they are not chosen to represent the workers) shop stewards. Many managers fear that joint consultation will lead to a restriction of their prerogatives. Foremen and supervisors and lower managerial staff frequently feel that they are being by-passed, and their authority weakened, by direct contract between top management and representatives from the factory floor. Shop stewards are usually chosen to represent the workers on committees, but where they are not chosen their hostility to the system may be understood.

"The attitude of the unions to joint consultation is more complex. The T.U.C. itself favours the extension of consultation and takes an active interest in its development in the nationalised industries. But many individual unions dislike consultation in private

industry for two reasons. First, there is the lingering suspicion—now seldom justified—that employers may be promoting joint consultation in an effort to break down union loyalties and weaken their power. Second is the fear that if joint consultation goes too far the local shop stewards will become too powerful, and the authority of permanent union officials correspondingly weakened.

"A fourth major defect of consultation lies in the apathy of the great majority of workers...a defect shared by the trade union movement itself. This apathy is reflected in the gulf which too often develops between workers and their representatives. Too often the latter, if they accept the management's view on any issue, find themselves labelled as "bosses," "stooges" or "yes-men".

"Another symptom and cause of apathy is the failure in many cases to report back to the factory floor the results of a consultative committee meeting. This failure of communication is probably the most important single cause of failure of joint consultation. It is difficult to avoid the conclusion that if management wants joint consultation to work it must itself assume some responsibility for ensuring that the results of meetings are conveyed to workers on the factory floor.

"Despite these formidable obstacles growing number of firms have been able to operate highly successful and productive consultative schemes. Indeed, with all its defects joint consultation operates at least as effectively in this country as it does anywhere else without Scandinavia, and considerably better than in countries like France, Germany and Belgium, where it is compulsory.

"In the nationalised industries, where joint consultation is required by statute, its development has been neither noticeably more nor less effective than in much of private industry. The same wide divergencies in effectiveness and response are found. The two B.E.A.s (electricity and airways) are examples of efficient joint consultation. On the railways and in the coal industry on the other hand, consultation has been largely ineffective owing to bad labour relations generally and lack of enthusiasm in the lower managerial grades.

"At regional and national levels of consultation the workers are represented by trade union officials. While this is probably inevitable, it has at least two unfortunate consequences. In the first place, the distribution of seats among unions is a constant source of friction, and members of the smaller or "splinter" unions may find themselves unrepresented. More serious is the situation which arises where the union clearly is unresponsive to the wishes of a significant number of its members—the Dock Labour Board presenting a classic example.

"Consultation as carried out through union officials at national or regional levels differs fundamentally from the consultative systems which have been evolved at factory-floor level, and it is in fact the increasing centralisation of collective bargaining and union-employer consultation which has made some form of joint consultation at factory level an indispensable feature of industrial life. Without such

consultation there is a gap in communication between employers and workers, which cannot be filled by the vast monolithic organisations of unions and employers' associations which determine wages and working conditions throughout a given industry."

Here, as in Belgium and France, the Group was impressed with the importance of bringing in the foremen and junior management class in the set up for joint consultation. Many firms have given special thought to this aspect of the problem. In some places, departmental committees of foremen and the management at the shop level have been set up. In others, there are arrangements for consultation vertically as well as horizontally.

On the subject of exclusion of collective bargaining functions from those of joint committees, the impression we got was that in practice it had not been possible to impose a rigid demarcation.

As an answer to the vexed problem of clash between the trade unions and joint councils, the device has been adopted, in some cases, of confining membership to shop stewards but the verdict on this device was unfavourable. In the expressive language of our informant, "a shop-steward cannot wear two hats". If his attitude is that of a participant, the members begin to distrust him in his other capacity.

The practice of giving equal representation to management in the joint bodies is not a universal one. Some private firms have varied the size of representation in order to avoid the idea that these committees function on a balance of strength or of voting.

We in India are familiar with the problem arising from a mass of unsolved matters at the local level being thrown up to higher levels. In the nationalised sector in the United Kingdom, where there is provision for consultation at three levels, there is generally provision for reference from a lower to a higher level though in some cases such reference upward has been prohibited. No clear cut answers to the problem of overloading of agenda in the top organisations of consultation could be given. The British answer to this, as indeed to other problems of joint consultation, is a pragmatic one: "Let each undertaking work out its own method."

A not uncommon practice has been for the chairmanship of joint councils to alternate between management and workers but such alternation is now going out of favour.

It was stated that the contribution of joint committees to the technical problems of productivity had been small but the suggestions scheme had worked better.

In U.K., there was no questioning of elections as the right method of securing representation of workers. There has been no significant demand for nomination by trade unions, though a case was quoted, viz., that of coal in which the trade union nominated the candidates for elections to the pit committees. One argument quoted in support of the election method was that direct elections gave

workers' interest in participation, otherwise the tendency might be to treat participation as an affair of the "trade union bosses". Another interesting observation by experts of the U.K. Ministry of Labour was that so far it had not been shown that there was any necessary connection between the success of the consultative machinery and the existence of a strong trade union.

In connection with the question as to whether consultative machinery should be imposed by law, an observation made by a representative of the U.K. Labour Ministry is interesting. When asked about statistics on joint councils, her answer was "We do not collect them. What is the good of statistics in this matter? You can have a committee on paper for the purpose of statistics but what is important is not the number of workers involved but the degree to which consultation formally or informally has assisted in the development of a sense of cooperation and mutual responsibility. It is the quality of work done which matters and not statistics about meetings held."

We had the benefit of visits to two private undertakings where joint consultation had been markedly successful. The joint committee in one discussed production matters, trading prospects and obtained information about financial matters. Retrenchment and other collective bargaining matters were excluded. Rules regarding discipline were included in the functions of the committee but individual cases were excluded. A great deal of thought had been given to devices for the passing back of information to the employees in general. There was provision for sub-committees and separate committees for separate functions but the broad theme was that the best consultation was at the shop floor, where day-to-day problems could be discussed. "The shop steward is the nexus between management and workers." Asked whether there was satisfactory response from the management to requests for more provision for welfare, a worker representative, who had taken a leading part in the establishment of worker participation in this undertaking, replied "We cannot get more funds but the management does oblige us with services and accommodation"—a reply which struck a familiar chord in the minds of many members of the Group.

In the other concern which we visited, emphasis was put on treating the workers as a whole group. Here again, importance was attached to joint consultation at the shop floor though the necessity for more formal consultation at other levels was recognised. Our attention was drawn to the importance of developing the correct technique of communication, as information was the basis of successful consultation. We were informed that the secret of successful joint consultation in this concern consisted in their moving ahead of problems and of discussing them in time with all those concerned and in management being prepared to modify their conclusions after consultation. In the expressive phraseology of this firm's personnel adviser, "joint consultation should be in-built". It should permeate all levels, including that of technicians and supervisors and the importance of education and training of supervisors and of union representatives must not be forgotten. One interesting point made was that in the supervisors' courses on "Training Within Industry", workers'

representatives should be included so that they may also know what is being taught to supervisors. The management must cooperate fully in giving facilities to shop-stewards for attending meetings. In this concern, they were allowed to leave work an hour before the time appointed for meetings. On the subject of communication of information, notice boards were considered ineffective. There was a system of news-sheets but the written word was an inefficient method of communication. "People do not usually read reports. Communication must be oral."

The British Trades Union Congress representatives, like almost everybody else we met in U.K., advocated the pragmatic approach. They were of the view that joint councils should maintain cooperation with local trade union officials and it was desirable to leave collective bargaining issues to the trade unions. It was realised that the line defining collective bargaining issues could not be a clear one, the question was one of degree, but the broad approach should be to separate the functions of trade unions and those of the joint councils. The trade unions were in favour of industrial democracy but the idea had not been fully worked out. Some people tended to confuse it with syndicalism. There was a demand for compulsory joint consultation in the nationalised sector but in the private sector, compulsion had been rejected on the principle that "while one can take the horse to the water, one cannot make it drink." There was complaint of apathy towards joint councils. The miners, for instance, were apathetic, though there was no doubt about their being militant. The answer must be found in better 'education' and propaganda. There was also hostility among managers as they feared the loss of their rights.

The U.K. Trades Union Congress had rejected the idea of worker control as they conceived their responsibility, to be to secure higher wages for workers and it was undesirable to combine that with responsibility towards the consumers. The idea of co-determination had also been rejected. The trade unions approved of the practice of labour leaders being put on the board of directors of nationalised industry, though it was appreciated that they were there not as representatives of labour but of the community as a whole. There was an obvious parallel here with Indian practice.

The T.U.C. believes in the importance of training and education but funds are limited. It organises summer schools and courses of various kinds which deal with joint consultation among other subjects. A point was made that these were better run by the constituent unions than by the Trades Union Congress, as the technique of the industry concerned governed the content of the training and the headquarters organisation was not so well fitted for taking such local factors into account as the local unions were. The idea of a Government department running a scheme for the education and training of workers was not acceptable to the British trade unionists. They approved, however, of the courses run by university like those of London and Liverpool. Regarding propaganda, emphasis was laid by the Trades Union Congress also on oral communication. "The trade union movement grew out of its mouth and by its mouth shall it live."

An account of worker participation at the level of the undertaking has already been given. In order to complete the picture, mention should be made of worker participation at the industry level and the national level. There exists in U.K. to-day an established tradition of trade union participation with Government and industry in the elaboration of national economic policy and in administering social services. There is a tripartite National Production Advisory Council and then there is a net work of tripartite Regional Boards, District Advisory Committees and Local Employment Committees. There is also an organisation known as the British Productivity Council in which the Trades Union Congress participates. It was claimed that joint consultation at the national level has worked more successfully than at the lower levels as both management and trade union officials at that level have the necessary experience and the spirit of cooperation.

To sum up, the points brought out in U.K. are as follows :—

There should be flexibility in the formal arrangements for participation. Attention should be paid to techniques of communication to worker representatives and of communication from worker representatives to workers at large. Conflict with trade union functions should be avoided. While there was no satisfactory substitute for informal consultation at the shop floor, there was need for more formal methods of consultation. There should be extensive efforts, preferably joint, for education and training. Joint consultation should embrace all levels, particularly those of junior management and technicians. And finally, "organisations for joint consultation should be developed by joint consultation".

### **:Sweden**

Discussions of the problems of industrial democracy in Sweden were taken up with vigour during the last year of the war. The starting point on the worker's side was the old trade union claim for greater influence on the management of undertakings and on the conditions of employment.

However, by that time the economic, social and cultural concepts throughout the community had undergone such changes that the more far-seeing industrialists and the principal industrial associations were inspired by a genuine interest in the creation of a better understanding between labour and management. A number of large undertakings had in fact already established with their employers methods of regular co-operation of an advisory character.

The consultations between the Swedish Employers' Confederation (SAF) and the Confederation of Swedish Trade Unions (LO) on industrial democracy in the economic life of Sweden could, moreover, at that time proceed against the background of experience gained during the war by the British production committees but with even greater assurance by reason of the co-operation already brought about voluntarily between the parties before the agreement on works councils had been arrived at in 1946.

The co-operation in a wider sense between SAF and LO was initiated by the General Agreement of 1938 (the "Basic" or "Saltsjbaden Agreement"), the purpose of which was to forestall projected legislative action in the field of labour disputes and which was founded on the conviction, held by both sides, that they ought to be able to solve their problems between themselves and should do so with due regard to the basic interests of the nation and of the individual citizen. The conversations which followed engendered an atmosphere of trust between SAF and LO and by degrees new fields were discovered in which the soil was favourable for similar agreements. As early as in 1942 an agreement was arrived at on the rules to govern the organisation of local safety-at-work services which ensured a more efficient information and training programme in this important sphere and in 1944 another agreement was reached, this time on vocational training in industry.

When, later on, the question of industrial democracy came to the forefront, it was an almost self-evident starting point that the voluntary agreement principle should be applied in this field also. The reasons are plain. An agreement can always be applied with more flexibility and effect than a statutory enactment, and the conditions which had to be regulated were such as to make it doubtful whether even very carefully worked out legislation could be of real value if it was not rooted in mutual confidence.

The agreement to set up works councils was reached between SAF and LO on August, 30th, 1946. On the same day an agreement similar in all essentials, was signed between SAF and the TCO (Central Organisation of Salaried Employees). These agreements were given a framework structure, i.e. they were not to become operative until they had been accepted as collective agreements by the member organisations on both sides.

By these agreements a works council has to be set up in any undertaking employing 25 or more persons. Where fewer workers are employed—the minimum being 5 employees of 21 years of age or over—two workers' representatives would be selected should the local trade union so desire. If in any undertaking the workers should belong to different unions, and the agreement does not apply to them all, the agreement is operative only if not less than half the workers belong to unions that have accepted it.

Works councils are intended to serve as media of information and consultation for the purpose of :

maintaining continuous understanding between the employer and the employed in order to achieve the best possible production results ;

providing the employees with a clearer insight into the economic and technical conditions of the undertaking and its progress ;

promoting security of employment for the workers and conditions of safety ; health and contentment in their work ;

encouraging vocational training with the undertaking ;

and in general facilitating good production and working conditions in the undertaking.

Although works councils are purely advisory bodies, cooperation among the members is intended to serve both parties. Hence the object is to ensure that the employer and the employed consult with each other on such problems as are outlined above and that the employees come forward with suggestions which may concern changes in working methods or steps that will benefit both the undertaking and those employed in it.

A works council may owe its origin either to the employer or to the appropriate local labour organisation. It is made up of representatives of the employer, the workers and the professional staff. Among the staff representatives are always included a member of the lower technical staff, such as an overseer or a foreman. The employer himself chooses his representatives and normally selects for this purpose his closest associates in the management. There is nothing, however, to prevent him from selecting a member of the staff. Otherwise the employer has nothing to do with the selection of representatives of the staff or the workers. These are elected by the employees' own organisations within the undertaking. Voting at these elections is confined to such workers as are members of organisations which have accepted the agreement on works councils. For the staff special regulations apply in this connection : if not less than three-quarters of the staff belong to an association affiliated to TCO only organised staff are allowed to vote. If on the other hand, these conditions do not apply then both organised and unorganised staff are entitled to vote.

The agreement sets up certain standards for eligibility to membership of a works council. A council member must be over 21 years of age and should have been employed in the undertaking for at least one year. Further, he is expected to have a sense of responsibility, sound judgement and be familiar with working and production conditions in the concern.

Members of a works council are protected by the agreement against measures which the employer might take for the purpose of preventing them from carrying out the tasks devolving on them by the provisions of that agreement.

Special rules are laid down relating to the time within which a question for discussion at a meeting has to be notified to the chairman, the calling of meetings and the agenda. Minutes have to be kept of all meetings and produced in three copies but nothing is said in the agreement on any specific form of presentation.

A works council may on certain questions hear the evidence of experts, whether from within the concern or outside it. If an outside expert is to be heard the council must be unanimous in inviting him. Also, it is within the competence of a council to appoint a sub-committee to report on any special matter.

The agreement requires the employer to inform the works council



of the financial position of the undertaking and of the general trade situation and market conditions in the industry at the time. Such information is provided, inter alia, with the aid of material placed at the disposal of the employer by SAF.

The works council is also able to claim access to the annual accounts of the undertaking, if it is a limited company. This implies that the employer must give a verbal exposition of all accounts leading up to the balance sheet. It is open to the representatives of the employees to make proposals to the employer on economic and financial matters affecting the concern.

On the production side the works council is required to deal with questions of technique, organisation, planning and development. The employer has to furnish the council with continuous production surveys embracing reports on completed or proposed conversions or other major changes in production methods or working conditions and other technical developments within the undertaking. In these matters due attention has to be paid to the experience and ideas of the employees.

The representatives of the employees have been granted the general right in the agreement to bring forward suggestions on production techniques. Over and above this general right of initiative a procedure has been worked out whereby any worker may submit to the works council proposals for changes in working methods or other arrangements or measures designed to benefit the undertaking or its employees. The submission of such suggestions to the works council provides a guarantee to the workers of fair consideration being given to these proposals. If the employer adopts what has thus been suggested the intention is that a reward shall be given to the initiator. The decision on this point, as also on the nature of the reward, rests, however, with the employer alone.

The agreement further contains rules on the procedure to be followed by the employer when dismissing or laying off workers. Notice of dismissal or lay-off where the employment has lasted for not less than nine months is to be given by the employer to workers belonging to a union that is a party to the agreement fourteen days before the decision takes effect. The employee has then the right, if, he wishes to make use of it, to bring the matter up for joint discussion in the works council.

A works council has also to consider questions relating to the health and safety of employees while at work. But in this field the council has to keep in close touch with safety committees and others having special obligations in this field. Other duties devolving on a works council are promotion of order and discipline among operatives and encouragement of vocational training within the undertaking. Subjects outside the sphere of activities of a works council include wages and agreements between employers and the employed and in general any questions which are normally dealt with by the industrial organisations.

A member of a works council may not divulge or make use of

any technical or economic facts of which he is informed by virtue of such membership and which he knows to be trade or business secrets.

In 1945, interest was shown by the employers and a book on cooperation with labour was published by them. In that book the employers were urged to take the initiative in creating better co-operation with their employees. The importance of the latter's being kept well informed by the management was stressed. A few of the larger concerns formed on their own initiative joint committees which on the one hand served as vehicles of information from the employer and on the other enabled consultation to take place on both technical and social problems.

Notwithstanding these efforts employers were not unanimous on the question of the value and importance of organised consultation in workshops and factories through the medium of such special institution as works councils. All employers no doubt expressed the desire for close relations with their employees but various reasons were advanced for doubting their feasibility.

However, the Council of the SAF adopted from the outset a positive attitude to the conception of works councils. In order that the agreement should be fully understood by the members of the association, and to ensure as far as possible that the councils should function efficiently and along right lines, a special department for works council question was set up at the association headquarters in Stockholm. It is the task of this department to engender and maintain an active interest in the work of the councils and to give advice and directives for getting the best out of their deliberations. The Trade Union Organisation and the TCO have also established corresponding departments at their own headquarters.

In 1950 SAF opened its own school at Yxtahol for the purpose, among other things, of training employer's representatives for works council duties. The trade union movement from the very beginning set in motion a far-reaching information and instruction programme for the members of the works councils representing the employees. And most unions have organised courses of various length in which the study of the principles of agreement, specialised industrial subjects and economics of management form an important part of the curricula. In LO's own courses, held at the Labour College, which is maintained by LO at Brunnsvik, such subjects as factory or workshop democracy and management economics take a prominent place. Special courses in management economics have also been organised by LO with good results. The employees' attitude to these specialised economic problems has throughout been factual and objective. A very large number of group conferences has been called by various sections of industrial workers for the purpose of discussing the practical business of the works councils. Out of the 2 million odd kronors' annual budget (roughly £140,000) of the trade union movement's educational activities a very substantial portion is absorbed by the subject "factory democracy." A varied series of books and pamphlets have in the recent past been published by LO and a special booklet, "Foretagensamfunderna" (The Works Councils), is being regularly distributed to all employee representatives on the councils,

Great importance is attached in labour ranks to the employers' undertaking to furnish information on production and economic questions. The knowledge thus gained is regarded by them as the basis of effective collaboration in the councils. Amongst employers the problem of how best to explain and interpret a company's accounts to their employees has throughout been much debated. SAF has prepared a useful guide setting out the various ways in which the financial position of a concern may be popularly explained. It is stated in trade union quarters that the information, in kind and extent, furnished by the employers, on the subject, has been found adequate by two-thirds of all the works councils functioning at present. So far the number of suggestions put forward by the employees relating to business economics has not, however, been appreciable. The reasons for this must, in the first place, be looked for in the inherent difficulty in propounding advice of practical value on the economic dispositions of an undertaking, but also in a large measure in the essential lack of business knowledge and experience on the part of the employees.

While suggestions from the operatives on economic questions have been few, the reverse is the case with matters relating to production methods. The information given by the employers about proposed new methods or changes in manufacturing technique often sets in motion a lively debate. The number of suggestions put forward for improving production methods, transport arrangements, safety measures, amenities, etc., has been considerable. The number of production suggestions quite substantially exceeds the number concerned with amenities. Some union groups have in their returns recorded as many as four times the number of production suggestions compared to those on amenities.

The statistically measurable incidence of suggestions apart, there is evidence of an "invisible" but progressive activity which expresses itself in greater care of plant and tools, economy in use of consumption articles, improvement of minor details, higher average quality of manufactures, etc. Hence the operatives' contribution to what is known as day-to-day rationalisation has been most valuable. Beyond the direct utility of a suggestion there is also the psychological satisfaction felt by the workman whose suggestion has been accepted and adopted in practice.

The amount of the award, which is settled by the employer after consultation with the works council, has hitherto varied between 25 kronor (£1.15s. od.), and 1,000 kronor (£70)—in exceptional cases even more. A relatively large number of suggestions has gained an award of 200 (£14) to 300 kronor (£20). Reasons are certainly not lacking for building high hopes on a progressively widening usefulness of the principle of initiative. It is, naturally, possible to establish a clear connection between the provision by the employer of ample information on production and economic questions and the extent and quality of the operatives' suggestion output.

Amenity questions have had a prominent place in works council discussions. These have covered the standard of working premises, sanitary and hygienic conditions, staff rooms, etc., but also the

relations between the various sections of employees in the concern. The works councils have contributed appreciably to the well-being of the operatives in their work by the factual and positive direction given to the consideration of the subject at council meetings.

And finally, the works councils have successfully dealt with many problems affecting such diverse subjects as vocational training, safety-at-work and time studies.

When judging the results achieved so far by the works councils it must be borne in mind that the realisation of industrial democracy is a long-term objective. There have been psychological obstacles too in the way of a rapid extension of the idea. Moreover, the responsible organisations have not deemed it desirable to force the pace of council formation but have preferred to foster its steady and methodical growth. The fears, once prevalent, that the works councils would find it difficult to keep wage questions and party politics away from their deliberations, have happily proved unfounded. It may be only natural that suspicion and doubt still tend to cloud relations here and there, thus slowing down the consummation of candid co-operation between the parties. But the incidence of ownership has played no decisive role in this context, for progress has on the whole been the same in State-owned as in privately-owned undertakings.

Factory executives, foremen and staff have, generally speaking, proved to be less active in their council work than the operatives. The suspicion that the councils would assume the function of "Courts" in management problems brought about a cautious attitude from the start. But as developments have not justified such fears the interest among these groups has steadily grown.

One of the tasks of the works councils which has caused difficulties in its practical execution has been that of bringing the council's activities to the knowledge of the rank and file of employees. Both the main organisations and the managements are trying to meet this important requirement in various ways: increased personal contact between members of the councils and the employees, comprehensive reports, staff journals, special works council notices, works socials, etc. Close contact between the works councils and the employees is an essential condition without which they cannot function adequately.

Works councils have so far been tested only in conditions of industrial boom and full employment, with a general recognition of the need for increased and more efficient production. What will happen when a slump comes cannot be prophesied. The outlook, nevertheless seems favourable. The functions and activities of the works councils have from the very beginning been viewed realistically by the parties. Both their potentialities and their limitations have been recognised. The vast majority of employees have realised clearly the importance of giving the employers regular and dependable information about their concerns and their manifold problems. By means of the opportunities for initiative given to the employees the latter have been able to show their readiness to aid production by

useful ideas, thereby helping both the individual undertaking and the nation.

Typical of industrial relations in Sweden was a joint meeting which we had with representatives of the Employers' Association (SAF) and the Confederation of Salaried Employees (TCO). It was obvious that these various organisations had learnt to work together as a co-operative team and the atmosphere of conflict and acrimony was absent. At that meeting we were supplied with a paper jointly prepared by the heads of the Bureaus for Works Councils in the SAF and LO from which we have reproduced freely in the foregoing paragraphs. The fact that there was a joint agreed paper by representatives of employers and employees and that both organisations maintain special Bureaus for works councils manned by competent officials is itself typical of the Swedish attitude to this aspect of the problem of industrial relations.

An evaluation of the Swedish system of joint consultation made in 1953 by the International Confederation of Free Trade Unions is as follows :

"The workers' suggestions have so far proved to be the most successful result of joint consultation. Workers are constantly bringing forward written proposals on questions of production methods and, to a somewhat lesser extent, upon transportation, safety and welfare. Twice as many suggestions were submitted in 1950 as in the previous year. Out of 12,300 suggestions in 1952, rewards were paid for 5,697. Many employers are convinced that, apart from productive suggestions, there is a general improvement in the care of tools, economy of supplies and quality of product—all resulting from the psychological satisfaction of workers whose suggestions have been accepted.

The workers' interest and the flow of workers' suggestions are in proportion to the amount of information furnished by the employer and the care and skill with which it is presented. The majority of employers realise the importance of giving regular, dependable information and in turn they have benefited in terms of production and goodwill. The workers' new opportunities for initiative have been used to the advantage of both sides and of the nation as a whole. There can be little doubt that this form of industrial Democracy has already taken deep root.

"The Swedes point out that a voluntary agreement is more flexible than a statutory enactment. They are convinced that the confidence of both sides is more important than carefully worked-out regulations. They have been satisfied with a steady growth of their joint consultation movement and have not tried to force its pace by legal compulsion. The Swedish workers regard joint consultation as a step towards complete Industrial Democracy, whereas the employers regard it as a healthy, productive safeguard against more radical measures. Whilst thus differing in their motives for supporting the consultative system, both sides agree that advancing economic life cannot disregard problems of productivity and welfare in the workshop."

The following extracts evaluating Enterprise Councils in Sweden, from "Industrial Relations in Sweden"—By Prof. Myers, is also of interest:

"The councils have been a very useful channel of communication between management and representatives of production workers and salaried workers. The foremen are also represented, but their role does not seem so important and perhaps this is one of the weaknesses. For the salaried and productive workers, however, the meetings have been a source of much information about the company. The significant thing here is that this information presented by management is more likely to be believed and accepted by employees in the council meetings than it would if management had initiated the information-sharing in its own way. The context in which information is received is very important, and since the labour organisations originally asked for these councils and sought an agreement about them, it is undoubtedly true that workers and salaried employees have more confidence in what management presents to these meetings than if Swedish management were trying independently to "sell the company" to the employees.

"If Swedish management wants to preserve the confidence which most workers and union representatives now have in the information value of the enterprise councils, it must avoid giving the impression that anything is "being held back". The best way to do this is to be completely frank and honest; there is no other satisfactory alternative. Refusal to answer questions will only arouse suspicion.

"There is a danger in any form of communication or information-sharing that the process is always one-way from the top down. Unless those to whom information is given have full opportunity to raise questions, and are encouraged to do so, the novelty of receiving information only may soon wear off.

"Management in Sweden, runs the risk of losing the confidence and the loyal efforts of workers if it denies them the opportunity to participate in the discussion of production questions which affect the success of the enterprise and their job security.

"Another way, is the development of some method of sharing the gains directly with the workers in the plant.

"It is not clear whether the Swedish labour movement expects to broaden enterprise councils into branch or industry councils, and this uncertainty about ultimate objectives hangs like a cloud over management's approach to the councils".

"Finally, the councils in Sweden seem to handle some of the functions which are handled by more informal local union-management conferences in America. Complaints about wash-rooms, lighting, safety, etc., would normally be raised through the grievances procedure or in discussions between the management and union representatives".

We asked various observers about the secret of the Swedish success in joint consultation and in establishing good industrial

relations generally. The reasons given were many. For one thing, industrialisation came to Sweden at a later stage and it could, therefore, escape some of the consequences of the rigid attitudes which were general in many parts of Europe in the last century. Trade unionism came simultaneously with the development of industry. There is, again, a tradition of egalitarianism and widespread interest in economic matters. There is a high degree of organisation, local as well as central, both among the employers and employees. Fire-brands are generally frowned upon and leadership on both sides is extremely enlightened. The unions are very powerful and the fact that there has been a Socialist government for 20 years and that there is close connection between the Socialist party and the trade unions has had its influence in the present development. Both parties come to the table with the express object of achieving agreement. One of the causes of moderation may perhaps be the fact that labour's own party is in power. For example, the Government has recently been worried over inflationary wage demands and the unions have shown appreciation of their responsibility for the economic situation of the country. Some years ago, the unions' attitude would have been that it was the Government's job to look after the stability of the national economy but that is not the position now.

An observer from India cannot but be struck by the great difference between the Indian practice regarding Government intervention and the one prevailing in Sweden. One of the cardinal principles with the employers and the Confederation of Trade Unions in Sweden is to keep Government intervention out in order to preserve their autonomy. To quote one of the representatives of labour whom we met at the joint meeting mentioned above :

"I mentioned the words "autonomous". I would like to stress that word, because it indicates what, no doubt, is the most characteristic feature of the Swedish trade union movement, viz., its functional autonomy. In this country we, on both sides, are strongly opposed to out-side intervention in the activities of the joint organisations of trade unions and employer. We oppose any form of legislation concerning the structure and functions of the organisation. The associations are self-governing organs to a higher degree, I think, than in any other country. We are opposed to any system of compulsory arbitration though, of course, disputes over matters of interpretation and application can quite appropriately be handled by the Labour Court or by a private arbitration board."

Nationalisation is not a very live issue in Sweden, as unions have found that they can obtain satisfaction from big private industries. There is strong pressure from labour for the passing on of information but not for participation in management. The works councils have functioned rather like the joint production committees in United Kingdom; they have done good work but for a real explanation of the success of Industrial relations in Sweden, one should look elsewhere. The vital element in Sweden is its system of bipartite negotiation between the employers and highly organised trade unions of educated well-paid workers who have developed a tradition of cooperation rather than one of conflict.

An illustration of the lack of conflict is the number of cases which go up to the Labour Court. The number for the whole of Sweden scarcely reaches three figures in a year. It is true that these are cases relating only to the implementation of the agreements and that unlike in our country, "interest disputes" are not subject to adjudication. But even so the contrast with our figures of similar applications under Section 33 (A) of the Industrial Disputes Act is very marked. Significant also was a remark made by an official corresponding to our Chief Labour Commissioner. "The correct attitude for me and my officers when a dispute arises", he said, "is the attitude of calculated laziness ; we do not believe in energetic intervention".

It will be noticed what we in this country have the disadvantage of rival trade unionism and of comparatively weak federations both of labour and of employers. The Swedish Federation of Employers can impose a penalty on a dissident member. We have also the disadvantage of low wages and of lack of education among workers. But we have one feature in common with Sweden. Like Sweden, we do not have to combat the old doctrinal position regarding the roles of employers and workers. Like them, we do not have to establish in the public mind the right of labour to organise, to bargain collectively and to have a voice in the operation of industry in practice. These democratic ideas are not treated as hereby in any influential quarter. We are fortunate, therefore, in that our big effort at industrialisation will start in an atmosphere in which these ideas are generally accepted. There will be questioning on the plane of practicability but the underlying philosophy being settled we can use the opportunity to avoid the crystallizing of hostile attitudes which have afflicted industrial relations in certain other countries.

The Swedish experience points to the necessity of encouraging strong trade unions, of building up a satisfactory system of collective bargaining and settlement of disputes, and of an energetic campaign of "education" of all the parties concerned. In Sweden, the initiative in this regard has almost entirely been that of the employers and workers. In our country it may be necessary for Government to take an active part in the field of "education", using the word in a broad sense, to cover all those aspects which will fit the worker to be a good trade unionist, a good citizen and a good participant at the council table.

## France

The French system of worker participation is mainly based on legislation, though there are instances of machinery for this purpose being set up by collective agreement. In order to understand the system, it is necessary to view it against the back-ground in which it has developed. Apart from the general French preference for codification, for reducing to writing and in precise language whatever is intended to be done, account must be taken of the strong syndicalist tradition which the French workers have inherited. For example, while the British Trades Union Congress rejects the principle of workers' sharing of managerial responsibility, there are no qualms on this subject among the French workers. The second factor which has played a large part in determining the shape which French legis-



lation has taken is the sharp break which the events of the Second World War brought about in the development of the public sector. The period of Occupation, the growth of the Resistance and the circumstances of the final Liberation of 1945 have all played their part in affecting the form as well as the content of participation. Workers' organisations were disbanded or driven underground during the Occupation and a most important role in the Resistance was played by workers, many of them belonging to the extreme left. Many owners or managers had worked for the occupying power and at the moment of Liberation they left a vacuum which had to be immediately filled. We were informed of instances in which the staff of these undertakings, guided by free union organisations which had suddenly appeared from their underground existence, took steps to prevent the destruction of their factories by the enemy, guarded them, kept them working or re-started them and while doing so succeeded in some cases in increasing production. Thus there were established, spontaneously on the initiative of the workers, liberation committees or union organisations which in practice assumed the powers of management of these undertakings. Sometimes these committees came about as the result of agreement between the workers and unions on the one hand and the management which had remained on the spot on the other. A few months after the Liberation there were a number of bodies playing a part in the management of undertakings in diverse ways. Some of them had a legal basis, others were founded by collective agreements and others again resulted from a *de facto* situation. Their powers, constitution and working were not governed by any uniform rules, but one common theme ran through all these efforts, workers were not going to accept the old position that "it is the exclusive right of employers to manage." Government support came first through an Ordinance in 1945. This Ordinance was soon supplemented by provisions in various nationalisation laws. Works Committees were enjoined by law and these were given administrative powers in respect of welfare matters, their representatives were given the right to attend meetings of the boards of directors in the private sector and workers' representatives were given an equal status with the representatives of the State and of consumers on the management councils of nationalised undertakings.

One result of the developments described above was that while in certain other countries unions and employers had the opportunity and the time for evolving a system of joint consultation or participation through the conference method, the French system was introduced through the compulsion of law and circumstances and lacked the secure basis of mutual understanding developed over years. Workers have tended to take upon the rights so far secured as only a halting first step towards full workers' control and employers have tended to view them as concessions extracted under duress.

Another complicating factor that affects the working of the joint consultation system in France is the multiplicity of trade union organisations. The biggest trade union federation in France is the Confederation General du Travail (CGT). In 1947, however, there was a split in this organisation. The Force Ouvrière (FO), which is socialist, broke away from the main body because of communist domination of the CGT. Next in importance is the Confederation

Francaise des Travailleurs Chretiens (CFTC). There is, again, a separate federation which groups together representatives of all sections of supervisory and managerial staff. The different sections of the labour movement have varying attitudes towards the works committees and are separately represented on them. As the central organisations are often suspicious of or even hostile to one another the workers' delegation in the works committees can hardly be a coherent group. As a matter of fact, the members often attempt to out-bid one another and this inevitably vitiates the atmosphere of constructive cooperation. The instructions issued by workers' organisations for the guidance of their representatives on the works committees often require that the activities of the representatives belonging to rival organisations should be carefully watched.

It is also relevant to take note of the attitudes of the different workers' organisations towards the existing system of worker participation. In the years before the split in the CGT and even up to 1948 that organisation cooperated in the working of works committees. Even today the CGT is not opposed to these committees. We were informed that though the CGT did not consider that the present system even remotely satisfied the legitimate desires of workers, it did serve some useful purpose. The verdict, however, was so full of reproaches against the employers that our impression is that in practice there is little cooperation round the table. Certain other parties made the allegation that the CGT regards the works committees as a forum for partisan activities and economic obstruction rather than as a means of increasing production. An allegation was also made of communist members utilising the funds for social services placed at the disposal of these committees for the purpose of financing communist organisations. We are in no position to comment on these allegations but it was clear that other workers' federations were suspicious of the activities of CGT in relation to works committees and that the employers viewed the participation of this organisation with particular hostility.

So far as the FO is concerned, its attitude appears to be one of critical support to the works committees. It is not satisfied with the functioning of these committees and has a feeling that the powers given to these committees are not adequate. According to the FO the obstacles in the way of proper functioning of the works committees are the following :—

*"(i) Lack of goodwill on the part of the employers*

It is certain that employers, uneasy about this reform from the first, have done everything they could to deflect the workers from economic activity.

*"(ii) Attitude of the Communists :*

The Communists have used the works councils as a place for dispensing political propaganda.

*"(iii) Attitude of the other workers :*

The free trade unionists, determined to be active on the economic plane, very early found themselves trapped

between a two-fold opposition (from employers and Communists) which succeeded in slowing down their efforts.

“(iv) *Inadequate training—scepticism :*

There is no doubt that the necessary training has not been made available to the members of works councils. When the texts were promulgated, very few active trade unionists had been given preparation in economic problems. The considerable difficulties encountered have led to a certain scepticism as to the actual possibilities of the works councils.

“(v) *Overmuch social activities :*

An astute manoeuvre on the part of the employers consisted in directing the activity of the works councils towards an excess of social achievements—sometimes useful but often useless which lead to wasted efforts and, what is more, are dangerous. We may add that the time devoted to this end is lost as regards economic activity.

“(vi) *Complexity of the problems :*

It is certain that many difficulties of assimilation arise when the workers are supplied with complex documents or information, which all too often are over-complicated.

“(vii) *Lack of technical aid :*

We in France thought that we had this aid, through the intermediary of chartered accountants who, in accordance with the Ordinance of 22 February 1945, were to assist the members of the works councils, unfortunately, we have been deprived of this possibility by a verdict from the Supreme Court of Appeal. In practice, only the works councils of limited companies may benefit from the aid of chartered accountants. In the other works councils, there is no possibility of technical aid. Furthermore, as certain documents may not be communicated outside the enterprise, the trade union federations] cannot easily provide this technical aid.

“(viii) *Inexactitude and shortcomings of texts :*

The texts contain such vague formulae that they enable the employers to evade the obligations which the legislations thought to impose upon them.

“(ix) *Professional secret :*

The employers manifestly abuse the “professional secret” protection provisions which in the first place were meant to cover only manufacturing secrets. Now-a-days, any pretext is good enough to declare (wherever information is requested or a document is called for) that it is a manufacturing secret.

“(x) In too many cases, the works councils have considered

that they could replace the trade union organisation as regards entering into contracts. To our way of thinking, it is for the trade unions to conclude collective agreements wage agreements, etc. The role of the works councils should consist exclusively of participating in management and of exercising supervision."

The CFTC also is not satisfied with the existing powers of works committees. It demands more effective participation by wage earners in the management of an enterprise and a corresponding sharing of profits. The CFTC agrees with the FO that the committees have failed to live up to the expectations because they have been diverted to the social rather than economic activities.

As far as we could ascertain the employers' attitude was one of criticism. They complained of too much interference by Parliament; it was stated that in the last few years as many as 4,000 Bills on labour matters had been under consideration.

Works Councils had not been a success as the right atmosphere was lacking. The unions had failed to find the type of representative. The C.G.T. stood for class war and the non-communist unions had not proved equal to them. Management also was to blame—it had failed to prepare itself for such work and had not taken sufficient initiative. At least half the works councils existed on paper only. What was needed was greater effort by management and supervisors for imparting 'information' and 'education'.

The trade unions devote a great deal of attention to the guidance of members of works committees. The following translation of an extract from a monthly journal issued to rank and file of the Confederation Francaise des travailleurs Chretiens gives some idea of the points which this trade union considers important for trade union members of works committees. There is no reason to doubt that the other trade unions would broadly subscribe to the CFTC's views, although there might be some difference in emphasis.

Extract from "Formation" of CFTC of November, 1955:—

".....It appears necessary for the CFTC to take particular care to promote a constructive policy if this magnificent possibility, which emerged from the Resistance, is not to become another lost illusion. That is why the rank and file should be supplied with the lines of policy which is the trade union representatives adopt on the works committee. What is needed in the first place is an adequate knowledge of the undertaking. For this purpose, statistical and other information is required, in particular about the following:—

*No. of workers employed:* hourly-paid (men and women)  
monthly-paid (men and women); supervisory staff (men and women).

*Recruitment:* (Local workers, foreigners, peasants, etc.).

*Qualifications:* Labour, skilled workers, possibility of promotion to supervisory grades.

*Sources of supplies* : (Whether they depend on another factory or firm for stocks or supplies)

*Customers* : (one or several)

*Fuel used* : (Coal, oil, electricity, gas etc.)

*Nature of work or manufacture* : (Conversion of metals, cotton weaving, etc.)

*Nature of Company* : (Private or public) *and of factory* (establishment or undertaking)

*Connection with other firms* : (Financial groups, trusts, common management, etc.)

*Economic position* : (Importance of its markets, competitors).

*Economic evolution* : (Reduction in business, stagnation, expansion).

*Influence on Employers' Federation Atmosphere* : (Attitude of management, workers, other unions).

*Balance of forces within the undertaking* : (Prepare graphs containing variations, in numbers, votes given to the different Confederations at elections, etc.)

The trade union representatives should gather this information, collate, interpret and analyse it, to see if it indicates, for example, a leaning towards such or such a Confederation and why. When this work has been done the trade union representatives can then formulate a policy.

The policy of the trade union representatives with regard to the works committee has three aspects:—

### **Economic Aspect**

Under existing legislation, the committee's role is purely consultative, but it is very important one. The statute of 1945 provides for compulsory consultation of the committee on the management and progress of the undertaking. The trade union representatives must obtain the information set out above. Few employers give it willingly, so it is necessary ceaselessly to harry the management. It is difficult to know all the details but one can gradually obtain a certain amount of information such as changes brought about in the factory and their effects. It is more valuable to know the factory or undertaking is progressing than to know its profits.

### **Social Aspect in the Undertaking**

Knowledge of the conditions and organisation of the work. The main end of this is the lessening of fatigue. Our task is not to propose new forms but to check existing ones. The Scientific Work Organisation is a technique; its aim should be the improvement of conditions of work and increase in wages; our aim is to see how it is applied.

Safety and health in the factory are the responsibility of the

trade union representatives of the works committee. This is a sure way of attracting new members to the union. Lastly, it is necessary to control engagements and not leave them to the mercy of an arbitrary employer.

### **Social Aspect outside the Undertaking (Social Welfare)**

The sections of the works committee running social welfare must be considered as a means of training trade unionists. They teach them how to run economic affairs, but care must be taken to ensure that the running of social welfare does not become the be-all and end-all of the works committee. There can be a great number of welfare activities (there are 30 at Michelin),

Particular points to watch are :—

- (a) *Housing* : 1% of wages goes to housing fund. (900 million francs per annum in the Lyons region). Study the best ways of using these sums in collaboration with the Housing Commission of the Departmental Unions.
- (b) *Holiday Camps* : Some undertakings, mainly those run by CGT., want children to go only to the camps run by the undertaking. This is against the spirit of the CFTC who consider that children should be able to go to any holiday camp approved by the social security organisation.
- (c) *Canteens, leisure, etc.* Set up the organisation necessary for a knowledge of the undertaking ; this will require the collaboration of the three unions (industrial, clerical and supervisory staff). Regular meetings of the delegates and union members will be necessary within the undertaking or outside it. At a preliminary meeting it will be necessary to decide on questions to be raised and to consider the questions put by other organisations, and the general attitude to be adopted during the meetings. This attitude can be modified during the course of a meeting by the delegate, if need be, but he will have to take account of it, because the trade union representatives have the right to control and even criticise the action of the members of the works committee. In view of this the role of the union delegate is very important. It is important that, so far as possible, he should not be elected to the committee ; it is better that he be a shop steward, as this will enable him to enjoy legal protection and have sufficient time to deal with his responsibilities.

Finally, the trade union representatives must define a long-term policy, which must be in accordance with the line laid down at the last confederal congress, to establish an economic system for the worker. They can, for example, study a firm's balance-sheet which shows an increase in profits and from this work out the right of the worker to partake in these extra profits.

It is essential that our policy be made as widely known as possible so that the workers know what we are doing and the ends for which we are striving. These are :—

*On the social plane:* Control of work organisation, hours, new methods, work bonuses, hourly output, etc. Provision for unemployment, pensions, etc.

*On the economic side:* Demanding information from the employer. Economic suggestions and training of representatives in the light of a knowledge of the problems to be faced. Finally, making a judicious choice of candidates for elections.

It must not be forgotten that the task of the CFTC representatives is varied. Shop stewards must be ready to make claims; the members of the safety and health committee must press for the improvement of conditions of work; the task of the works committee members are of a more general and constructive nature. Each of the members of the committee must be a specialist in his own line. It is the responsibility of the trade union representatives as a whole to work out the duties of each individual and analyse and coordinate their action, and to watch that no one takes a position different from that of the union through lack of information or training.

A brief description of the provisions made in the laws nationalising certain industries on the subject of worker participation has already been given. The essential points of interest to India are that the Council of Management is nominated by government. In the case of Coal, Gas and Electricity, there are 12 members: 4 represent the State, one being the nominee of the Ministry of Finance, one of the Ministry of Economic Affairs, one of the Minister of Industry and Commerce and the fourth a joint nominee of the three Ministers, 4 individuals are nominated by virtue of their competence in the industrial and financial fields including 2 who represent the consumers and 4 are workers' representatives nominated by the most representative trade unions in the industry. The responsible Minister has the power to refuse to accept the nomination of an individual worker representative but in practice the powers seldom used. We understood that the Minister exercises some discretion in fixing the number to be allotted to various "most representative trade unions".

Varying verdicts were given to us regarding the value of worker participation on the councils management. The employers generally believe that this participation has been of little practical significance. On the other hand, the representative of the FO who met us considered that this participation had had an important effect in guiding policies and in "making relations easier". According to him great care was necessary on the part of trade unions to see that the State representative did not dominate the management unduly. The general opinion, however, appears to be that the contribution made by worker representatives has not been as effective as it was expected to be. One probable reason is that many worker representatives are not fully equipped to deal with the complicated questions that come up for consideration at the level of these councils and tend to accept the status of passive partners. One competent observer, who agreed with this verdict, suggested that an additional possible reason of the ineffectiveness of workers' representatives on these councils was that the unions generally considered works committees to be of much greater importance than the representation on the Council of Mana-

gement because while the Council's activities appeared remote to the union, works committees were closer to the centre of things. The fact that the unions do not devote much attention to discussions of the activities of workers' representatives on these councils is also significant. On the other hand, it was agreed generally that any attempt to curtail the powers or the proportion of workers' representation on the councils would be strongly resisted by the unions.

Whatever may be the contribution made by the works committees or the workers' representatives on the councils of management in the economic sphere, there was agreement that the part played by these committees in the field of welfare had generally been a success. The workers generally appreciate in this field the changeover from the regime of paternalism under which welfare institutions depended upon the employers, who planned, financed and managed them. Participation in this work also provides a kind of apprenticeship for workers in the art of management.

The intervention of works committees in the management of welfare scheme takes the shape of direct management, of participation and of supervision. Special bodies are often set up for running welfare schemes which are directly managed. These bodies are responsible to the works committees. In respect of the schemes which are bodies corporate at least half of the members of the governing body must be members of the works committees. Works committees supervise the management of mutual aid schemes as also centres of apprenticeship and vocational training including schools for apprentices. Welfare schemes are financed mainly by the employers' contribution, though there is sometimes contribution by the workers also. In the nationalised Gas and Electricity industry, we were informed of an interesting legal provision for securing adequate funds for welfare : a certain percentage of the total income was set apart for the various welfare schemes.

Another sphere in which worker participation appears to have produced results is health and safety. Industrial undertakings employing 50 or more workers are required to have Health and Safety Committees on which the staff is represented. The function of such committees include inspection of establishments to ensure compliance with legal provisions regarding health and safety, organisation of instructions regarding fire and first aid and investigation of accidents. Though these committees are entrusted with specific functions they are, to a certain extent, integrated with the works committees and often operate as their sub-committees.

There was recognition, both among trade unions and public authorities, of the need for training worker representatives in the business of management and arrangements have been made for imparting such training to members of works committees particularly in respect of economic and financial questions.

The main trade union centres have used, for the training of members of works committees, the organisations of workers' education already existing, such as, the Confederal Centre for Workers' Education of the CGT and the Workers' College of the CFTC, both founded



in 1932, or have set up others for this definite object such as the Permanent National Committee on Training for Leadership of the CGT and training committees of the CFTC.

The essential object of the CGT National Committee on Training for Leadership, set up in 1945, is to prepare organised workers for membership of certain bodies. With this aim in view, it organised a training programme in three stages. The first, intended particularly for members of works committees, is provided through the CGT district associations; the curriculum is covered by 25 to 30 lectures, the text of which has been sent to the district associations by the National Committee. The second stage—training for duty as union officials is given in Paris; the courses are attended by men and women who have passed through the first stage of training and have been sent forward by the district associations. The third stage—training for service as representatives of the trade federations on national advisory agencies or on the boards of nationalised undertakings and industries—is given, also in Paris, to candidates specially selected by the federations.

The FO has likewise set up a workers' education centre, which supplies documentation to study centres, workers' colleges, etc., which have been established under the Confederation's central bureau. The CFTC has a comprehensive scheme for training of a similar character which includes training of members of works committees, in which the respective trade federations take part. For this purpose classes, study circles and all-day courses are organised at each level—in undertakings and by the local and district associations of the Confederation; programmes relate mainly to the structure and management of the undertaking. Apart from the classes and courses properly so-called, most usual form of training is the study in common of practical cases with which delegates have had to deal. The whole training scheme is under a special confederal committee assisted by regional, district and local committees, with a monthly circular from the confederal committee to serve as a link.

The big labour organisations have also published a number of pamphlets, etc., which not only explain and comment on the relevant laws regulations, but also give information regarding the administrative and financial organisation of undertakings—a subject about which workers know little but which is most important for informed study and for the comprehension of balance sheets. In 1948 the CGT started a monthly review devoted to works committees. The congresses of these organisations also pay regular attention to the question of works committees.

To sum up, our impression of the French system of worker participation is that it is rather formal and rigid. There is indifference and even hostility on the part of many employers which has yet to be got over, and over the whole field hangs the cloud of division in the ranks of workers. This division permeates even spheres of activity where there need not be any conflict. Features which are of special interest to us are the provision made for welfare and the general success which has been achieved in its joint administration and also the work done by trade union organisations in preparing members for

effective participation. In spite of the varying verdicts on the value of worker representation in the management councils of nationalised industries, our conclusion is that though such participation may not have produced striking results, it has at least served to give satisfaction to workers. Such participation may make it easier for unions to depart from the postures of conflict which are common in a situation where one party is exclusively responsible for management.

### **Belgium**

A number of works councils were set up voluntarily in Belgium between 1945 and 1948. In many cases, the initiative came from the employers, and in others from the trade unions. Some collective agreements were made with provision for the setting up of works councils. An important aspect of these voluntary councils was their relationship with trade unions. In Belgium, as elsewhere, the relationship between works councils and trade unions is a matter for delicate adjustment. A system of works councils which would weaken the trade unions and thereby weaken the collective strength of workers would be looked upon with suspicion by the well-established trade unions and fail on that account alone. The voluntary councils in Belgium, therefore, usually consisted of appointees of trade unions in addition; of course, to the representatives of management.

Following the urge for increasing workers' control, Belgium passed a law in 1948 which provided for a Central Economic Council at the national level, for Industrial Councils at the industry level and for Works Councils at the undertaking level. A noticeable point is that the initiative for the establishment of works councils has been laid upon the employers. Employees' representatives are elected by workers of the undertaking by secret ballot. The position of the trade unions is supported by enjoining that election will be from lists of candidates submitted by the most representative organisations' of the employees. Another feature is that in the lists submitted by the most representative trade unions, separate representation is ensured for salaried employees distinguished from wage earners, representation being in proportion to numerical strength. The apportionment of seats to various lists is done in accordance with the principle of proportional representation. The tenure is for four years. This ensures continuity and helps the members to acquire the ability to participate effectively in the work of the council.

Apart from the usual function of the council, such as the right to receive information regarding productivity and progress of the undertaking and its financial results and the right to make suggestions or objections regarding measures likely to affect the conditions of work and output in the undertaking, it has also the right to frame rules of employment, to supervise the due application of legislation intended for the protection of labour and to consider the principles regarding dismissal and engagement. These features are significant in view of the theory held in many other places that the rules regarding hiring and firing and conditions of work should be matters within the field only of the trade unions.

Under the rule-making powers of the law of 1948, provision was

made by an Order of the 13th June, 1949 for fixing the number of employees' representatives on the works council according to the size of the undertaking and for adding the functions of the Safety and Hygiene Committee to the other functions, if the works council so desired. It was provided also in these rules that the agenda would contain any question falling within the purview of the works council for which a member made a request in due time, but there is some doubt whether in practice the employer does not exercise the right of excluding items at his discretion.

In Belgium, as elsewhere, the question of drawing a precise line between workers and managerial staff is a difficult one. We in India have developed no particular theory on the subject but the recent amendment of the Industrial Disputes Act includes supervisors drawing less than a prescribed rate of pay and excludes those performing managerial functions. No clear principle can be evolved from this as to which side of the table certain categories of the lower managerial staff should occupy. In Belgium also, difficulty has been experienced in drawing a line between the lower supervising staff to be represented on the workers' side and the higher staff qualified to represent the management.

Having prescribed the establishment of works councils, the Belgian law left a good deal of flexibility to the councils themselves as regards procedure. As a rule, the councils meet on company premises and delegates are paid their regular wage rates for the time lost. The employer or his representative is the president and a worker delegate is chosen as secretary. Trade unions desire that the law should lay down a precisely defined procedure but employers are opposed to any rigid rules on the subject.

It is usual for the worker representatives to meet separately before the council meeting, usually at the plant and during working hours. At these meetings, their representatives try to settle a common programme. The problem arising from the existence of rival trade unions arises here also. When two trade unions are more or less equally balanced, they both send their representatives to the preliminary meetings of workers' representatives but when there is one union which is preponderant, representatives belonging to the minority union are quite often excluded. As may be expected, when there are two unions equally balanced in strength, friction arises but we were informed that where one union is much stronger than the other, the existence of rival unions does not cause too much difficulty in practice. There is a lesson here for us in considering where to begin experiments in setting up councils of management.

In theory, questions of wages or systems of wage payment or similar matters which normally fall within the field of collective bargaining are to be left out of the purview of works councils but we were informed that, in practice, some collective bargaining matters did creep in inspite of the legal provisions.

The question arises as to how a decision is reached in cases of disagreement in the council. Most councils work on the basis of unanimous decisions which, of course, leaves many questions unsettled,

The works council has no right of veto on decisions taken by the management but it has powers of decision in regard to social matters and welfare.

The socialist General Federation of Trade Unions, which is one of the two important federations in this country, has treated the law of 1948 as the first step towards economic equality and social justice: Its demand is for workers' co-determination in the enterprise, the industry and the economy in general. In particular, this Federation places emphasis on the right of the union to inspect the books of the company with the aid of outside accountants. As a corollary to this, there is a demand from the unions that there should be governmental control of accountants and accounting procedure, as without such control, the right to inspect books and accounts is considered to be of little value. The Confederation of Christian Trade Unions, which is the other important section of the trade union movement in Belgium, also considers the law of 1948 as only a step on the road towards economic democracy. In its judgement success has been attained only in some establishments where the employers have been cooperative. Workers in most establishments are disappointed in the councils. Many employers, while fulfilling their legal requirements, have tried to dodge the spirit of the law. The workers felt that suggestions made by them were not given due attention. In some cases, workers also were at fault. They have tried to use the councils—(there is a parallel with the French experience on this point)—as an instrument in the class struggle. Many worker delegates were not well prepared for their tasks and others expected too much. Nevertheless, on the whole, the trade unions did not express disapproval of the system of works councils and their programme is for building these up rather than breaking them. Conflict between works councils and the trade unions is avoided partly through division of functions and partly because the majority of workers' representatives are also active trade unionists.

According to the International Confederation of Free Trade Unions, the voluntary councils which were set up before legislation in 1948 have been at least a moderate success, the workers attempting to increase production and the employers trying to improve wages and working conditions. Difficulties have arisen because of lack of education of the workers, irregular meetings and distrust on the part of certain employers. And important influence has been the existence of an active trade union in the plant at the time when the works council came into being. Wherever an active tradition of collective bargaining already existed, the works council was quickly integrated into that tradition and was generally regarded by the workers as another channel for claiming their just rights rather than as a means of joint consultation between workers and employers for furthering their common aims.

An impressive feature of trade union activity in Belgium is the importance which is attached to the training of workers for their duties as trade unionists and as members of works councils. There are schools, seminars, evening classes and a regular system of supply of information through bulletins and magazines and newspapers. An interesting development is the emphasis on productivity. The christian

trade unions run a technical productivity school and apparently attach a good deal of importance to it.

In all the enterprises concerned, according to the ICFTU "the workers have taken an active interest in bettering their working conditions. They have also shown an interest in local production problems which touch their immediate activities, but in only a few enterprises has it been possible to get worker participation in general problems, such as a redistribution of the labour force of control of hiring and firing. It is still too early to judge the works councils established by law since 1948. Although they are actively supported by the trade unions, many of these councils have been weakened by the workers' lethargy. The workers are preoccupied with their wages—a question left entirely to the trade unions. Many employers do not cooperate and some are down-right hostile. The climate of joint consultation to mutual advantage has not been achieved by either side in large sections of Belgian industry—especially in heavy industry. Most employers communicate barely the minimum of information required by the law. They resent the fact that the trade union might learn their trade and financial secrets. Certain employers, however, attempt to present full information in a form readily understood. The workers are quick to feel the atmosphere created by the employers.

"Workers' productive suggestions are forthcoming in commercial and financial enterprises with salaried employees and in enterprises which already had voluntary works councils before 1948, but very few suggestions are made in industrial enterprises. Belgian industrial workers and employers are both imbued with a class outlook. The skilled workers, especially, hold an ideal of cooperative participation in the management and in the profits. But they know that the employers oppose any such ideas, and many of them refuse to cooperate or to submit productive suggestions under the present system.

"The worker delegates have not hesitated to put forward demands for improvement of working conditions, and in many cases the employers have recognised their competence in this field and have shown a willingness to accept suggestions submitted by the works council which had previously been rejected when brought up in the course of collective bargaining.

"However, this happy relationship does not often carry over to questions concerning the organisation of work and production. The majority of employers seem to resent any criticism of the existing regime. Such an attitude is often encouraged by the supervisory staff, whom, in turn, the workers consider to be the enemies of joint participation.

"The legal provisions concerning the rights of works councils in this field—(engagements, discharge and lay-offs)—are vague, and have led to a number of conflicts. The worker delegates consider that they have the legal right to propose specific rules. Management holds that the works councils have only right to give general advice, but not to handle specific cases. Certain employers have entrusted works

councils with the control of lay-offs, but none have been willing to give up their control of hiring.

"There is controversy over the intention of the law (in regard to social matters) the trade unions claiming that all social activities should be managed by the works councils. There is also a sharp divergence as to what the term "manage" (gestion) should mean. In some cases the works councils have assumed full control over cafeterias, sports, insurance funds, libraries and nurseries. But in most commercial enterprises the management has retained control, the works council, for the time being, only giving its advice,

"The law gives the works council the right to draw up shop rules—a right highly appreciated by the workers, because it gives them an opportunity to express their opinion concerning questions related to their daily work. For some works councils this has become the principal field of activity.

"The Belgian law of 1948 promises much in the way of economic democracy, but its actual provisions are loose and inadequate. The law is vague concerning both the procedure and the competence of the works councils. Belgian law provides neither for minimum accounting standards nor for certified public accountants. The workers would like to have each department or division represented on the council, but this result is not attained by the list system used under the 1948 law. Whether or not to include foremen and supervisors in the employers' delegation is also a hotly disputed problem.

"The majority of Belgian enterprises have not yet found the common ground necessary for successful joint consultation. The majority of employers—and even those in favour of works councils—are opposed to the trade union monopoly in presenting candidates, and they feel that the workers' delegates are not sufficiently instructed for their duties. Employers, in such a mood, barely furnish the minimum information required by law and make no genuine effort to cooperate with their workers. In certain enterprises, however, a good spirit reigns and the works councils are producing valuable results. It is interesting to note that the proportion of successful works councils is greater among those organized on a voluntary basis before the passage of the 1948 law. Most workers and employers declare that they favour the principle of joint consultation, despite their frequent criticisms of the present system."

The Employers' Federation gave us the impression that the provisions of the limited worker participation laid down in the law of 1948 are generally accepted. They are, however, anxious about the extension of the law to small undertakings employing only 50 persons. Persons able to run works councils are not likely to become available in such small enterprises. This point, about the size of the undertaking in which works councils should be set up, is of importance in its application to India. There was a fear that the workers' representatives on the councils tended to act too much as representatives of the trade union and there was insufficient "undertaking mindedness." A reform suggested was that where the trade unions did not have adequate affiliation among the workers the list of candidates should not be

confined to their nominees. It was claimed that though at the start of the works councils, not all managers were good at the technique of information and communication, there had been a steady improvement in this respect. Similarly, worker representatives suffered in the beginning from the dislike of coming forward to express views but here also there had been improvement. There was recognition of the unions' efforts for the "education" of workers and mention was made that many employers had shown enthusiasm in guiding and helping the councils. There was difficulty over the field and method of communication. There was fear that information about an undertaking would be divulged to the prejudice of the undertaking. Efforts had been made by the employers' associations to "educate" their constituent units. The problem of bringing in supervisors at an early stage and thereby reducing their antagonism to decisions taken at the meetings of the works councils had been solved by the arrangement that they would be kept informed of the matters coming up before the works councils. There were also arrangements for parallel contact with them. The employers, as a whole, opposed the extension of the power of decision to works councils in economic or financial matters. On the subject of elections, there was a feeling that nomination by the unions would be better method of securing employees' representation, as owing to union rivalry elections tended to produce friction.

As part of worker participation, mention should also be made of two councils which have been set up at the national level by legislation enacted in 1948 and 1952. Both are consultative bodies. One deals with general economic questions and the other, known as the National Labour Council, deals with what were described as social questions. Both Councils include equal numbers of employers and workers. The appointments are made by the Government from the lists submitted by employers' associations and trade unions. The law of 1948 also provided for Joint Industry Councils which, in practice, have been set up in three or four important industries. These bodies are similar to our own Indian Labour Conference, Standing Labour Committee, the Labour Panel of the Planning Commission and the Industrial committees. We heard no criticism of the work of these bodies except that the formality of the proceedings led to too much talking "for the record". It was clear, however, that the really important questions regarding worker-employer problems were settled by direct negotiation between organisations of employers and employees. For example, at the time of our visit, important negotiations were going on between the Confederations of Employers and the Unions regarding the wage level. It was in these bi-partite meetings that real business was done, though the advisory councils mentioned above have their own value as a forum for tripartite discussion.

A firm impression left with us was that worker participation in management could be successful only as a supplement to a well-established system of collective bargaining. Without strong and co-operative trade unions, schemes for participation would probably remain merely paper schemes. Strong trade unions were necessary not merely for safeguarding the interests of workers but also for making participation work. Clash of interests between works Councils and trade unions should be carefully avoided and in this connection, the

Belgian device of election of workers representatives from trade union-lists is worthy of note. Another point brought out was the desirability of getting higher paid workers into the unions in order that at least two class interests might come together and the necessary expertise find its way into the workers' delegation on the organs of participation. Another suggestion in this connection was that the set of workers' representatives who did bargaining work should be different from that engaged in consultative work. Against this is the argument that in practice it is not possible for trade union leadership to throw up two sets of people for these purposes. No ready made solution to this problem can be presented and practical working alone will provide the answer.

The Belgian experience, as indeed that of other countries, strongly points to the need for adequate preparation in setting up a system of works councils. Too hasty a start on a rigid legal basis will be prejudicial. Some valuable suggestions were made to us by the headquarters of ICFTU on this subject. It was suggested that in the beginning, while worker participation might be made mandatory in certain industries, in others it should be made dependent on a demand from the workers or trade unions. Discretion regarding the compulsory application of legal provisions for setting up works councils should vest in Government and some of the criteria which might be adopted in choosing the undertakings where such councils should be started are :

- (i) existence of a strong trade union in the undertaking : where there are rival unions balancing each other, the councils are less likely to be successful.
- ii) the industry should be an important one performing a significant public service,
- iii) the industry should also be a stable one ; and
- (iv) undertakings which are too complex should be avoided.

Legislation should provide only for the frame-work and even in framing model rules, functions and powers could be divided into two-sets, one set for application in the beginning during what may be called the period of development of joint councils, and the other for application where conditions were ripe for fuller participation.

### **Germany**

The German system of worker participation has been conditioned by the history of that country. In the confusion and chaos following the first World War, works councils sprang up as a revolutionary elements independent of the orthodox trade union movement. A struggle ensued between reformism and the revolutionary current and as in the events after the second World War the battle was fought largely over what would be embodied in the law to be framed by duly constituted authority. In the event, the reformist social democratic wing won. For example, the Weimar constitution only vaguely provided that "workers and salaried employees are invited to co-operate with



the owners, with whom they shall equally share the right to control the entire economic development of the forces of production." During the Hitler regime, works councils disappeared the German workers still have vivid memories of the part played by big business in financing the Nazi party. In the words of Ludwig Rosenberg, a leading theorist of the German Trade Union Federation "those experiences have shown us that political democracy alone is not sufficient to prevent 'captains of industry' from financing political crime and from liquidating democracy. As the granting of rights of co-determination to workers seems to be the best way of solving this problem, we workers demanded that Parliament should pass the necessary legislation to bring about the realisation of this plan."

Another factor which should be borne in mind is that, as in France, the end of the last war found the private sector disorganised and in some disrepute. The need for rebuilding the industries and for rehabilitating the economy was immediate and urgent and there were no organisations of private employers of any authority and standing, with whom the methods of collective agreement could have been tried in an atmosphere of calm stability.

In making the demands which the workers did after 1945, they had one motive other than that of controlling the captains of industry. In the words of Rosenberg "we are of the opinion that the retention of a peace-loving democracy and its system of Government is dependent on its success in integrating in a genuine way all levels of the population. If democracy is to be assured as a way of life and as a form of Government, then a practical solution of the problem of capital and labour must be found. The mass of the working classes must not be employed as objects but as subjects in the economic system—they must know that industry is working according to their desires in order to improve their standards of living. They must bear their share of the responsibility for it and they can only do so when they have the right to participate in the determination of its policy". While repeating the point about labour [not being a commodity, the representatives of the German Ministry of Labour further explained that the object of co-determination as hitherto practised in Germany was conservative and not introduction of revolutionary changes. Since unions were centralised bodies, full worker control in the supervisory boards would have upset the economic order as it was being developed in that country. "The object was not worker control but balance of power. Ultimate control regarding training technical possibilities, search for markets and the like was in the hands of the representatives of the shareholders."

In judging the development of worker participation in Germany, two other features must be borne in mind : the traditional devotion of the German worker to his undertaking and his phenomenal will to work. Both have contributed not a little to the success, as measured by production, which German industry has achieved in the last few years. The influence of co-determination in bringing about this result is, however, difficult to isolate.

The first organ of worker participation in Germany is the works council. These councils are not joint councils as in France, Belgium,

U.K. and Sweden. They are purely workers' committees and do not represent management at all. Their principal duty is to handle grievances. Though they are organisations of workers alone, they do not supplant trade unions. The latter negotiate industry-wise agreements, while the works council may negotiate supplementary agreements on questions of local interest. Apart from handling grievances, these councils have helped also in improving communication between management and workers and from workers to management. Meetings are held on company time and the employer and trade union officials both attend them.

It will be noticed that as far as handling of grievances or communication of information is concerned, the works council in Germany is very much like a local trade union elsewhere. The Law (the Works Constitution Act of 1952) has, however, given these councils some further rights, which have been summarised in Section II of this Report. In case agreement cannot be reached between the council and the management in respect of these rights, there is provision for decision by a conciliation committee. The conciliation committee is to be composed of assessors appointed in equal number by the employers and the works council and of an independent chairman accepted by both sides. If no agreement can be reached on the selection of the chairman, he is to be appointed by the chairman of the Labour Court. The conciliation committee is entitled to adopt decision by a simple majority.

The works councils also participate in the administration of the company welfare schemes but the amount of funds donated by the company is for the management to decide. It does not appear, however, that in practice, there has been much dispute over the administration of these schemes.

As regards the power of veto over personnel proposals we understood that the works councils do not often veto transfers or promotions and the veto against hiring has been used mainly to exclude Nazis. Although the law prohibits the use of the veto for political reasons, some vague reasons can usually be assigned. On occasions, however, the works councils have interfered with the hiring of even top managers.

The jurisdiction of the works councils does not extend very much into the economic field. For economic matters, the Law of 1952 made separate provision. Every undertaking which normally has more than 100 permanent employees is required to establish an economic committee which is entitled to receive information on the economic affairs of the undertaking drawn from the records in so far as this can be done without risk to the trade secrets of the concern. Noticeable is the provision that the members of the economic committee are required to keep silent on matters which may affect the competitive capacity of the undertaking. Economic matters include methods of manufacture and work, the production programme, the economic situation of the concern, the production and marketing situation and other circumstances materially affecting the interests of the employees. The economic committee is to consist of 4 to 8 members who must belong to the concern and of whom at least one.

must be a member of the works council. Members are required to preserve secrecy and at least half the members should be appointees of the works council. If a majority of the members of the economic committee are aggrieved about the supply of information which they are entitled to receive under the law, the employer and the works council are required to settle this by agreement. If they also cannot agree, there is provision for arbitration.

In case of important changes which may involve substantial disadvantages for the staff, the works council has a right of co-decision. These cover reduction or cessation of portions in the whole or important departments of the undertaking, removal of a substantial department of the undertaking, amalgamation, changes in the purpose and plan of undertaking "which are not clearly based on a change in the market situation" and the introduction of completely new work methods "which are not clearly essential for technical progress." In case of disagreement, there is provision for mediation. The mediating body is to consist of assessors from each side and an independent chairman. If this body cannot reconcile the parties, it is required to publish its own proposals for settling differences. The sanction behind the proposals of the mediating body is that of public opinion. These provisions are of special interest to India in the controversies which usually arise over 'rationalisation'. The appears to be that such disputes should be anticipated and consultation and mediation sought at the proposal stage.

In practice the works councils do not appear to have been much utilised for increasing productivity. One reason for this may be the fact that they are not joint bodies. But perhaps the more basic cause is the legalistic approach to labour-management relations which appears to have become traditional in Germany. The councils rest on the law and there is a tendency "to freeze relations with management into a legal pattern". Also perhaps the controversy which has engaged employers and trade unions in recent years over legislation for co-determination has had some share in diverting attention from the full possibilities of participation through the existing machinery at the undertaking level.

German trade unions attach a great deal of importance to co-determination in economic matters. A partial concession to this desire is to be found in the provisions made in the Works Constitution Act of 1952 regarding worker representation on the board of supervision. One-third of the members of the board of supervision of a joint stock company are required to be the employees representatives. These employees are appointed by election.

The provisions regarding elections are of interest. To guard against representation going to outsiders, there is provision regarding the minimum number of members who must be workers in the undertaking. There is provision for separate representation for salaried employees. The minimum representation for the minority group (that is to say, the smaller group between the two groups of wage-earning and salaried employees) is prescribed. There is also provision for representation of women. Works councils and employees are each entitled to propose lists of candidates. The list is to contain

twice as many names as there are vacancies. The list of employees' candidates must be signed by at least one-tenth of the employees. There are also provisions for revocation of representation.

These elaborate provisions are an illustration of the great difference which exists between the German attitude and that in U.K. or Sweden on the subject of codification. We were unable to obtain a verdict as to whether this rigidity has, in any way, influenced the success of these organs of participation. Perhaps the experience is too recent for any such verdict to be given.

Mention has been made earlier in this Report of the danger of industry between the trade unions and local organs like joint councils. In Germany no suspicion was expressed about the provisions regarding works councils or those regarding worker representation on the supervisory boards. As an important member of the Railwaymen's Trade Union put it, "we regard these organs as an elongated arm of the unions." A possible explanation of this attitude is that in practice it is the active trade unionists who play a leading role in the work of these special organs and that collective bargaining matters largely fall within the purview of the unions.

Though economic co-determination has been in the fore-front of the demands of the German labour movement for many years, after the war the unions concentrated first on getting co-determination in the vital coal and iron and steel industries. The demand was backed by the threat of industry-wide strikes and the result was a law passed in 1951 which provided for co-management by workers through representation on the boards of supervision and managing boards of undertakings in these industries. This law provides for a board of supervision consisting of representatives of stock-holders, of employees and of independent members. Representation of workers must include at least one salary-earner and the position of works councils and trade unions has been buttressed by the provision that worker representatives on these boards are to be nominated by the works councils after consultation with the relevant trade unions and with the central federation of the trade unions. A noticeable feature is that wage-earners and salary-earners form separate categories of electors. The central federation of trade unions can object to a nominee of the works council on the ground that "he could not be relied upon to co-operate responsible in the work of the board of supervision for the good of the undertaking and of the national economy as a whole." The reference to national economy in this context is worthy of note. If the works councils over-rule the object by a simple majority, an appeal can be made to the Minister for Labour who has the authority to make a final decision. The electoral body consists of members of the works council but nomination of two of the worker representatives may be made by the central federation also after prior consultation with the unions in the undertaking and with its works council. There are to be three independent members—one each to be elected by members of the works council and by the employing interests, the third, the key-member, is to be elected by the members of the works council on the nomination of the other members, of the board of supervision. If a simple majority cannot be secured for such nomination, a conciliation committee intervenes and in case the conciliation

committee does not succeed final decision rests with the Regional Court of Appeal.

These complicated provisions represent an attempt to codify a system of checks and balances which, while supporting the interest of labour as organised in trade unions and in an apex confederation, seeks to avoid undue importance being given to trade union 'bosses' on the one hand and the share holders' representatives on the other.

The conundrum arising from double loyalties which has led the British Trade Union Congress to disclaim responsibility for management has been the subject of argument here also. All members of the board have equal rights and duties and are not legally bound by any mandate or instructions. In fact, however, the worker members act on the instruction, of the organisations which nominate them and have, therefore, an obligation both to the enterprise and to the trade union from which they come. No criticism was, however, expressed to us that this duality of obligation had, in practice, led to any serious dead-lock. One explanation of this may perhaps lie in the nature of the functions of the supervisory boards. These boards do not correspond, for instance, to boards of directors in the United Kingdom and it appears that matters which come up before them relate only to certain limited supervisory functions such as the authorisation of large expenditures, dividends and the hiring of certain key personnel, including members of the board of management. In these matters, the duality of obligation need not perhaps present a serious problem. Another explanation may be that German workers so far have been so devoted to reconstructing their economy that anything which would retard production has been frowned upon. Voting in these boards has rarely been on the basis of shareholders' representatives versus labour representatives. "One explanation of this remarkable fact may be that most important issues are first taken up by the management board (which is described in the next paragraph) and reach the boards of supervision only after the former has worked out an agreement." The labour director of the management board plays an important role in lobbying support for proposals which have received his *imprimatur qua* member of the management board. Labour and management have also developed other useful techniques and procedures to prevent a head on collision: controversial issues are postponed or merely 'noted'. The device of delegation to ad hoc committees has been developed; the recommendations of such committees are passed by the board with greater ease than if each member had to record his vote on the issue itself, while keeping an eye on his constituents outside. When people have the will to avoid conflicts, a great deal of give and take is possible. Fields of power are informally divided: the labour representatives have more say in certain matters and the shareholders' representatives in others. One curious result of these practices, we were informed, was that while voting was rarely split between shareholders' representatives and labour representatives as such, there have been more cases of the latter being divided among themselves, the cause doubtless being the varying allegiances of the members to the trade union, the industry union or the works council.

More important than representation on the supervisory board

is a provision peculiar to Germany which needs special mention. The Law of 1951 requires the appointment in coal and iron and steel undertakings of a labour director on the management board which is the most important decision-making body in a German corporation. The labour member of this board has the same rights as the other members and is in special charge of matters connected with management employee relations. The number of the other members is usually two and they are in charge of the commercial and technical sides. The labour director is nominated by the union in consultation with the plant works council. The board of management is supposed to act on the principle of joint responsibility. The question naturally arises as to how directors, some of whom owe loyalty to the shareholders and some others to the workers, can co-operate in handling important problems like those connected with wages, disciplinary action, grievances or lay-off on which labour usually has separate and strongly-held points of view. The explanation of how the system has been made to work is to be found partly in the quality of personnel placed by the unions in the position of labour directors and partly in the system of compromise which has been evolved in practice. The unions have tried to place in these posts the most suitable persons they could find, persons who were well acquainted with the problems of the industry and who were, at the same time, dedicated trade unionists. Choice has not been confined to active office-bearers of the trade union alone. Selection has been made from office-bearers of works councils, foremen, technicians including engineers, the managerial staff of the headquarters office of the trade unions. Out of 81 members, only 2 were professional politicians. We believe this statement was intended to convey the impression that managerial ability, coupled with the possession of the right outlook, was the real test of selection. Their representatives of the German Federation of Trade Unions considered that the men they had selected were men of outstanding quality who could not be corrupted by the attractions of office. Directors get emoluments much higher than those of ordinary workers and to counteract possible suspicion of their turning into careerists an arrangement has been made for the surrender of part of their emoluments towards a fund for the benefit of workers. Apart from the quality of the men selected, a practical compromise appears to have been made whereby day-to-day decisions are divided among the three directors. Each side permits the other to operate comparatively freely in the case of their primary interests, though this must be at the expense of joint responsibility. The labour side gains some important advantages but management also retains a significant share of its former prerogatives. There is a recognition of mutual inter-dependence and compromise by "horse trading is common: "You accept my proposal, I will accept yours". In recent years, workers in these industries have improved their conditions considerably and they give credit for this to the labour director system. Wages and salaries have risen higher in iron and steel than in other comparable industries. Also voluntary social benefits have risen substantially.

It is a difficult system for an outsider to understand but production figures show that it has worked notwithstanding the constant dilemma which the labour director must face in his relationship with the union and the works council on the one hand and his obligation to

the undertaking on the other. In practice, the system has not had any revolutionary effect. The labour directors have not usually upset the customary hiring and selection methods, the suggestion systems or the safety rules. There has been better communication between management and workers and fewer strikes and few cases of grievances taken to the courts. Most cases were settled at relatively low levels within the companies.

To complete the picture for nationalised undertakings, mention may be made of the Staff Representation Act of 1955, which provides for the setting up of staff committee at these levels. For example, in Railways in addition to a quarter of the seats in the Administrative Council being reserved for workers' representatives, there would be a staff committee at the level of the workshop, another at the district level and then there is a central staff committee at the headquarters level. The members of these committees are elected on the principle of proportional representation. The term of office is two years. The committee elects a board for current business. There is provision for separate representation for the various groups. Delegates of trade unions can be invited to attend meetings of the committee as advisers. The chief of the unit is required to meet the staff committee once a month at a joint conference. At these conferences, "matters concerning the organisation of the work in the unit; in particular all incidents affecting the employees, shall be dealt with. They shall discuss disputed matters with an earnest desire to reconcile their views and shall exchange suggestions for overcoming differences of opinion." The general duties of the staff committee are to propose measures for action benefiting the unit and its staff, to ensure implementation of laws, of agreements and internal regulations and to remedy grievances. The committee are entitled to see the documents which they require for the exercise of their duties. In case of disagreement between the management and the committee, there is provision for appeal to the next higher authority.

There are certain matters called 'co-decision matters' in which the agreement of the staff committee is necessary. These are usually on the lines applicable to works councils, and in case of disagreement between the staff committee and the management, there is, as in the case of works councils, provision for a conciliation committee which may give an award by a majority vote.

An interesting provision regarding civil servants was brought to our notice at our meeting with the management of the federal Railways. In the railways, workers are divided into civil servants and wage earners. The working conditions for the latter are determined through negotiation with trade unions but the working conditions for civil servants are laid down by law. In the staff committees mentioned above, civil servants and wage earners are represented separately. A curious point is that it is not occupation which decides what a civil servant is. The term 'civil servant' represents just a status and it is permissible, in certain cases, to acquire the status on application by the worker. Civil servants are usually better paid and have permanency with provision for pension on retirement. They have, however, no right to strike.

We were informed that in the German Railways, there was little class feeling between different grades of employees unlike our own division between officers and the rest. One result of this was that, quite often, the higher paid members were elected to represent workers on the staff committees.

Our impression of the German experiment is that, on the whole, it has worked. Germany is free from the problem of rival trade unionism and good working arrangements have been made regarding the division of functions between the trade unions and works councils as also regarding collaboration between them. Throughout, the system runs the theme of checks and balances and though the employers continue to criticise the labour director system and though there is the apprehension that his dual and apparently contradictory role will lead to difficulty in times of crisis when retrenchment, lower wages and increase in productivity may be necessary for survival, the general climate of opinion appears to be one of sympathy. The German worker's feeling for his plant and the fact that in spite of low wages and bad food, he has done a wonderful job of rehabilitation of industry are factors which have impressed both employers and legislators. An observation of the German Minister for Labour is worth quoting in this connection. We asked him whether he would have made any changes in legislation if he were to start on a clean slate. His answer was that he would make no change in what had been done. However, in considering further extension of co-determination beyond coal and iron and steel which are basic monopolies, he pointed out that the nature of the industry concerned must be borne in mind. If the industry depended on export, great caution would be necessary. The Minister's verdict was that on the whole, the Trade Unions were satisfied with the present position though there was demand for extension of the present legislative provisions to industries like the chemical industry. A period of preparation was needed and this was understood by workers—the main claims of the Trade Unions at present were for shorter hours of work and better wages. There was also a demand for co-determination at the national level, that is to say, for some kind of economic council for dealing with broad matters of economic policy in which labour should have an effective voice.

For purposes of comparison may be quoted the observations made by private employers regarding labour directors. According to them, some of these were not competent and, in any case, they suffered from division of loyalty. Asked whether there was an alternative to the present arrangements, a suggestion was made that more powers should be given to supervisory boards and less to boards of management. In other words, while labour would have more hand in policy making it should have less control over day-to-day management.

This may be contrasted with the views expressed at our interview with the management of the German Railways. "It is likewise beyond all doubt that the promulgation of these Acts in consideration of the extremely difficult conditions following the world war, has been of decisive influence in promoting reconstruction activities and coordinating efforts designed to help both the employers and the employees. This revitalised method of dealing with employment problems, founded on legal precepts, is by German standards, the



most modern system yet devised to nullify the inevitable friction occurring between employers and employees."

Significant also is the trade union attitude. In the words of Rosenberg "it is without doubt only right that through the introduction of such methods, changes may have to be made in trade union practices. They will have to adapt themselves to those conditions under which they will have to operate and just as these will continue to change extensively in the near future so must the methods adopted by the trade unions in their struggle also change with the times, if we do not want to find ourselves attempting to use the remedies of the past to solve the problems of the present." One is reminded of the parallel theme developed by some of the trade unions in our own country which have abjured the strike as a normally acceptable method of settlement of employer-employee disputes.

To sum up, Germany is evolving a new form of industrial relations somewhere between the traditional relations under a system of private property and those under complete socialisation. This has involved a change in trade union attitudes. The organisations and the attitudes evolved are very much the result of German conditions and are not necessarily repeatable in another milieu. A number of factors have affected the situation. There has been, for instance, the compulsive need for rebuilding the economy. Public opinion has generally been sympathetic to the workers' demands on account of the great work done by them under adverse conditions. The trade unions, again, have shown moderation and had persons of quality in their ranks for manning the organs of co-management. Above all, working solutions have, in practice, been found for enabling parties owing allegiance to divergent interests in the economy to work together even though these arrangements, in reality and logic cut across the principle of unity in decision-making. All these factors have made the system work so far. Even if there be no proof that it has directly led to better productivity, it has at least provided satisfaction to the workers. Whether the system will be able to stand the stresses of more difficult times or whether it is capable of extension to industries where the element of competition is greater, it is too early yet to say.

### **Yugoslavia**

The first impression one forms of the way in which the Yugoslavs are re-shaping their economy is that of a great laboratory. New forms of social and political organisations are being evolved and assiduously expounded. There has been a sharp break with the past. The end of the war left many of the normal organs of the national economy disrupted or destroyed and the vacuum had to be rapidly filled. This was done under the guidance of a strong disciplined party, which, hardened by years of harsh fighting, was not afraid of bold action. The organisations which were adopted at first were modelled on neighbouring Stalinist Russia. Industries from which owners were expelled or expropriated were taken over by the State and run by a centralised bureaucracy. In 1948 came a break with the U.S.S.R. and a remodelling of the methods which were to be adopted for attaining the declared objectives of democracy and socialism. Why this was done is best described in the following

exposed by Kardelj, a leading theorist of the Party.

"The old Constitutional system rested on a more or less centralised system of administrative apparatus. At the time when this system came into being, this was necessary, because it was possible only in this way to concentrate material resources on the most basic tasks in order to create material conditions for further development. Certainly, this system has on the whole given positive results. If we are renouncing it today this does not mean that we are doing so because we consider that we made a mistake at that time, but because we believe that we have attained on the whole the desired objective and that thus we can go further.

"The indispensability of a further-step in the development of socialist relations does not proceed solely from the need of our economic development and the economic interests of our workers, but has also its deep political reasons. However much the old system was necessary, it represented at the same time a permanent danger of becoming bureaucratized, a danger of suppression and restriction of the socialist initiative of the working masses, a danger of bureaucratic centralism and bureaucratic particularism, both phenomena being only different manifestations of a single process; in one word, it contained the danger of preserving and enlarging state-capitalistic elements in our social economic system.

"In the period after the enactment of the 1946 Constitution the socialist consciousness of our workers continued to develop. The working masses gained a great deal of experience from their new socialist practice and began gradually to liberate themselves from many old ways. And not only that. In the first phase of our developments, when the state administrative apparatus as the administrative-operative organ managed affairs of common interest even in the economic sector, the idea of 'common interest' was for the working masses an exclusively political idea and not an economic one also. The participation of every individual worker in the management of factories and other economic organisations began, however, to teach our working man how much his personal economic and social interests are closely linked with the success of the community as a whole in its economic and social development. This consciousness of the working man in our socialist production has not only powerfully mobilised the working initiative of the working men and women but has also called forth their resistance against further bureaucratic intervention."

What has developed now is what the Yugoslavs describe as direct democracy. A basic principle of this is decentralisation. In the sphere of administration direct democracy has led to the constitution of People's Committees, District Committees and Communes, all of which have been endowed with real power. In the field of industrial enterprise, direct democracy finds expression in the system of workers' management which has been briefly outlined in Section II. The system is however so novel that a further description is necessary to understand its implications.

The basic law on the subject is the law of 1950 on the Manage-

ment of Enterprises by Work Collectives. Even before the promulgation of this law, there had been attempts, mostly on the initiative of Government Directors, to associate workers with the running of enterprises. In 1949 the Economic Council of Government and the Central Committee of the Trade Union Federation advocated the formation of workers' Councils and by the middle of 1950, 520 such Councils had been formed. These Councils, however, had only consultative functions. It is claimed that their working afforded the country the necessary confidence to go forward with the more fundamental law of 1950.

The workers exercise the right of management through the Workers' Council, the Management Board and the Director of the enterprise. In small enterprises with less than 30 workers the entire body of workers performs the functions of the workers' Council. The tenure of the Council is one year. In the interest of continuity, it is proposed now to raise the period to two years. The number of members on the Council is prescribed by the statutes of the enterprise, with the proviso that it may not be less than 15 or more than 120. The general body of workers may recall individual members or the whole Council at their discretion. Further control is exercised at general meetings of workers convened by the Trade Union or by the Council, at which the results obtained in the enterprise and important problems relation to its organisation and operations are discussed. The Workers' Council is not obliged to adopt the recommendations made at these meetings of the general body, but it is bound to give reasons for non-acceptance. The list of candidates for election to the Council may be submitted by the local Trade Union as well as by a minimum proportion, namely 1/10th, of the total number of workers in the enterprise. In addition to complete lists of candidates, incomplete lists may also be submitted, in which case the number of proposers must be at least one-half of the number fixed for complete lists. A distinction is drawn between workers employed in the production processes and others. The lists of candidates must contain a proportionate number of both categories. Voting is secret and election is by the number of votes secured by each candidate. The Council takes decisions on basic and key matters of organisation and management, such as the drawing up and amendment of the statutes of the enterprise, the wage and salary scales, the economic programme, distribution of that proportion of the profits which remains at the disposal of the enterprise, the use of funds which can be handled autonomously, the election of the Board of Management and supervision over its work. Administration is in the hands of the Management Board consisting of 3 to 11 members, who are elected by the Council on a one year tenure. An interesting provision is that "in order to ensure the proper composition of the Management Board and to prevent bureaucratic distortions of the nature of management by workers", at least three fourths of the members must come from among those workers who are directly involved in production or in the basic economic processes of the enterprise. To prevent the growth of vested interests a new Board may have only one-third of the previous year's members and no one can be a member for more than 2 consecutive years. Members are protected against dismissal or transfer without their consent. The services of the

members of the Workers' Council and the Management Board are honorary. Members are, however, entitled to compensation for lost earnings.

Execution of policy is in the hands of the Director. He is, however, not merely an organ of workers' management, but is also the representative of the State. He has direct responsibility for seeing that the enterprise functions in accordance with the regulations and if he is called upon to implement a decision which, in his judgment, is contrary to the regulations, he is bound to submit it to the People's Committee of the Commune. He himself is appointed by this Committee on the basis of a public competition and on the recommendation of a Commission in which only one-third are representatives of the Workers' Council. The Council may ask for the replacement of a Director, but in that case also the procedure to be followed will be the same as that prescribed for appointment. The Director is in charge of hiring and of allocation of jobs. He can also decide on dismissal, except in the case of Executives, who are dismissible only by the Board of Management. There is provision for a disciplinary court, whose members are appointed by the Workers' Council. A worker has the right to file a complaint with the Management Board against a Director's decision regarding work relations.

The Yugoslavs point out that in these arrangements they have evolved the correct compromise between the hierarchical principle, which is necessary for efficiency, and the principle of democratic control. At his job the worker has to carry out the tasks entrusted to him by his superior, as a member of the general body, he has the right to vote and be elected to the highest organs of the enterprise, he has the right to take the initiative and make suggestions either at meetings of the general body of workers or directly to individual members of the Workers' Council or the Management Board. A worker elected to this Council or the Board also participates on an equal footing in the solution of the basic problems of the enterprise. "A division can be made between management functions and those of handling the work process". The former function is performed by the workers' collective acting through the Workers' Council and the Management Board, the second function is one of implementation, of technical operations. This is the responsibility of the Director and his Executives. This system, it is claimed, ensures the necessary independence and initiative to the Director and the technical leaders while the knowledge and experience of the workers are harnessed for management at the higher level.

Some explanation is also necessary of the position of the enterprise in the general economy. A measure of regulation was clearly necessary, as otherwise these numerous pockets of self government would have led to confusion. Regulation was particularly necessary in the context of State planning which itself had to undergo a change. Formerly state planning was completely centralised and gave detailed assignments to the enterprises. Under the law of Planned Management and National Economy, 1951, planning was reduced to "basic orientation of economic development and to the determination

of general conditions of industry and the material obligation of the enterprise towards the community". This orientation is determined by social plans adopted by the Federal National Assembly, the Republican National Assemblies and by the People's Committees (to be described later), each in its own territory. The social plans give a survey of the economic development during the preceding year, forecasts of development and trends of economic policy for the planned year, as well as the economic instruments and measures for the implementation of that particular policy. Apart from the general orientation of economic development by these social plans, the rights of the State organs, it is claimed, are restricted to the adoption of laws and regulations determining the organisation and business of enterprises and to supervision of the implementation of these regulations. Consistently with these regulations and the social plans, the enterprises are entitled to do business independently. They can determine the production policy and programmes and the various elements on which depend costs. They are free to conclude contracts and at prices of their choice. They can have their own personnel policy and subject to the limitations mentioned in the following paragraph, they can fix the wages and salaries of their workers and other employees. They are guided by market demand and by profitability. They have to compete. In this way, it is claimed, initiative and enterprise are ensured, while the interests of the community as a whole are safeguarded.

There are regulations about assets and profits. The enterprise is required to keep up the value of the fixed assets allotted to it at the time of its founding. The value of fixed assets written off against depreciation is credited to the Depreciation Fund, which can be used only for replacement or for large-scale repairs. If any part of the assets are sold, the price must be credited to the Depreciation Fund. Compensation of the nature of rent is payable for the use of the assets, this goes under the Account "Interest" against "Fixed Assets" and is determined by the Federal Social Plan as a percentage of the undepreciated value of the fixed assets. The Federal Government puts this money into a fund and uses it for financing new capital expenditure. Similar compensation is payable for what are considered revolving assets, namely, raw materials, semi-finished goods, finished goods, monetary assets except those set apart for capital expenditure. Short term, seasonal or other special credits may be obtained on mutually negotiated terms from the State Banks. A tax on profits is payable to the Federal Government at rates determined by the Federal Social Plan. In 1956 the rate was 50%. There are other claims also on profits. A certain percentage has to be credited to the Reserve Fund and a part of it goes to the Commune or District according to a ratio fixed by the Federal Social Plan. The balance remains at the disposal of the enterprise, part of it being used to provide what in our country would be called bonus to workers. That part of the profit which remains at the free disposal of the enterprise may be used for rationalising production, for housing and for other welfare measures.

If an enterprise works at a loss, it must first draw upon its Reserve Fund. If the Reserve Fund is inadequate, the Peoples Committee of the Municipality must step in to see whether it can save the enterprise. If solvency is unlikely, the enterprise is wound up.

Pay regulations fixed by the Workers' Council require the agreement of the peoples Committees of the District and of the Trade Union. In case of disagreement, there is provision for arbitration. Payment is usually by results and it is claimed that pay scales have been based on job evaluation.

Special bonuses are payable to workers for special success in lowering costs, in improving organisation or the quality of output. These incentive bonuses are provided for in the pay regulations and are announced in advance. As a rule, the bonuses are individual, collective bonuses being given only when it is possible to identify the individual's contribution.

To obviate the danger of wages being raised unduly, thereby burdening the community with the liability of insolvent enterprises, there is provision in the Social Plan regarding the total amount which may be distributed as wages.

There is some doubt now whether the system of remuneration outlined above is in step with the present needs. According to Mr. Marcovic of the Federal Executive Council, it lacks sufficient incentive and a revision may be necessary. A greater differentiation in favour of experts has also been advocated.

The organisation of self-management at the undertaking level is supplemented by economic chambers and associations with which the enterprises are vertically linked. "At present with the existence of workers' self-management, State agencies only exercise supervisory functions over enterprises, administrative forms of management are being replaced by democratic forms of self-management. A certain form of democratic unity in the economy is, however, necessary for, in addition to the regulatory and planning functions of the Centre, there are many other functions in the economic life which have to be settled centrally, though not necessarily by Government". Centralisation is necessary in functions such as, co-ordination of activities in the technical improvement of production, assistance in the co-operation of enterprises, organisation of joint auxiliary specialised services and organisation of training of cadres. These activities cannot be performed by individual Councils of enterprises and hence the formation of economic Chambers and economic associations as a form of self-management within industry. Apart from giving joint services to their constituents, these chambers also help in acquainting the State administration with their problems and in cooperating with them in the preparation of legislation and social plans. They also endeavour to see that within their sphere, legislation is implemented. A new development has been the entrustment to these Chambers of certain functions of the State administration itself, particularly those relating to trade and agriculture.

At present Chambers have been formed for various economic branches. For some, there is only one Chamber for the whole country, for example, the Federal Industrial Chamber, the Federal Chamber of Building Industry, the Federal Chamber of Transport and the Federal Chamber of Foreign Trade. In other branches, e.g. Commerce and Trade, there are organisations at various levels.

District Chambers, Republican Chambers, and the Federal Union of Chambers. Membership of Chambers is voluntary except for the Federal Chamber of Foreign Trade and the Federal Chamber of Transport. The decisions of the Chambers are binding only after the relevant workers' Council has given its consent to them. In the case of functions transferred from Government, however, the decision are binding. State agencies e.g., Peoples' Assemblies, Peoples' Committees, Executive Councils (to be described later), supervise the work of the Chambers and can modify their decisions if they are contrary to the existing legislation. Every Chamber must have an Assembly and an Administrative Committee. The assembly consists of representatives of enterprises elected by the Workers' Councils. The Chambers also usually have Tribunals of Honour to settle disputes arising from infringement of good business practice.

Our impression of the work of these chambers is that apart from providing common services and a forum for developing common opinion, they are not particularly important as "organs of power".

To complete the picture, mention should also be made of the political organs of administration with which the self-governing organs of workers are closely interlinked. "The basic political territorial unit and the basic cell of the social and political order" is the commune. The next unit is the District, which is the equivalent of a "Community of Commerce". At the next higher level comes the Republic and finally there is the Federation. The highest organs of administration at the Commune and District level are Peoples' Committees and at the level of the Republics and the Federation, the National Assemblies and the Federal National Assembly respectively. These bodies are bicameral, one of the chambers being elected by all the citizens on direct and secret vote and the other chamber, called the Council of producers, being elected by representatives of producers. The Councils of Producers in Districts and Communes are elected by the members of the Workers' Council and other self-managing bodies of producers and the District Councils elect the members of the Councils at the Republic level. For the purpose of representation, Producers are divided into two groups: the group of industry, commerce and handicrafts and the group of agriculture. The number of seats for each group is proportionate to its contribution to the national income. On this principle the representatives of industrial workers outnumber agricultural representatives by two to one, though the great bulk of producers are agriculturists. This is defended on the ground that a man's voice in the fortunes of his community should be proportionate to the value of what he contributes to the national income. It is possible, however, that the relative political importance of industrial workers and of agriculturists may also have contributed to this provision. In orthodox Marxian theory, the industrial proletariat has a special role.

Both chambers have equal rights in matters such as the passing of social plans and of other regulations and decisions concerning the national economy as a whole, the passing of laws which regulate the economic system or its parts, the making of decisions on labour relations and social insurance, the promulgation or alterations of the constitutions of the Republics or the Federation or the statutes of the Districts or Communes. Certain questions relating to the work of

economic units, government organisations and self-governed instructions are within the separate field of the Councils of Producers. Yugoslav administrators attach great value to the contribution made by these Councils to the work of government.

In all federations different problems of division of functions arise. Who is to have the key powers? Who is to have the residuary powers, the federation or the constituents? Here instead of the usual two, there are four tiers of government, the commune, the district, the Republic and the Federation and one would expect more than ordinary debate and difficulty over demarcation of powers. We were informed that in reality it is the Federal Assembly at one end and the communes at the other which are important; the other organs have at present only comparatively minor powers.

Slightly different arrangements for self-government have been made in regard to services like Railways, Posts and Tele-Communications and Electricity where centralisation is necessary. Railway Workers' self-management was introduced at the beginning of 1954. Workers' Councils and Administrative Committees in basic units e.g., railway stations, workshops, engine sheds, had existed, but they had only consultative functions. The first step was to divide the railways into separate enterprises e.g., one enterprise for passenger and goods transport and the other being the enterprises for the maintenance of rolling stock and equipment. These enterprises are under the management of the Workers' Council, the Board of Management and the Director in the manner already described. There is a similar organisation at the basic unit level of stations, workshops etc. Management at the top level is in the hands of an administrative committee consisting of 20 to 30 members. This Committee is elected by the Workers' Councils of the enterprises. The Committee ensures the application of uniform transport and technical rules, co-ordinates the time-table and supervises the enterprises. The immediate head is a Director. All the various railway systems are then united into one Federal community of Yugoslav Railways. This also is administered by an administrative committee elected by the administrative committees of the separate railways. At the head of management at this level is a Director-General nominated by the Federal Executive Council to which he is responsible for safety. We were informed that in practice, a well balanced system of delegation of authority to the Directors and Director-General has been developed. The arrangements in Posts and Tele-communications and in Electricity are similar.

Special consideration has been given to the problem of self-management in large complex enterprises. Here need was felt for the introduction of organs of self-management in particular works and ground-level organisational units of the enterprise and therefore, in addition to the Workers' Councils and the Board of Management for the enterprise, as a whole, Workers' Councils, and, in some cases, Board of Management have been set-up for units also. There was a body of opinion that the introduction of direct democracy at these levels would prejudice unity of management. The pre-eminant opinion, however, is that organs of self-management in units like workshops should have the right of decision when the policy of the enterprise as a whole is not prejudiced. In this way it is believed that the



high organs will devote themselves to the settlement of common problems and important matters, while a large number of workers would be allowed to take direct part in the management of work with which they are immediately concerned.

To an observer used to an economy of private enterprise, there will immediately occur certain difficult problems. The first obvious question will be as to how reconciliation is obtained between decentralised control of undertakings by workers and the interests of the community at large. Is central planning consistent with such decentralisation? Then, again, the question would arise as to how in this age of technology, management by a Workers' Council can enable Yugoslav industries to keep up with the times. One can understand an enlightened Workers' Council successfully keeping a running concern going, but can the system produce that far-sightedness combined with risk-taking, which is necessary for progress? Successful management requires the ability to take unpopular decisions. Who would take such decisions with a Workers' Council in full control? Would not the Council-controlled Director be tempted to take the path of least resistance? Then, again, as we know in our own country, faction is the besetting vice of committees and often prevents them from taking wise decisive action. How would this danger be avoided? And finally what would be the role of trade unions in such a set-up? Would it not involve the weakening of organised labour? It is on the Yugoslav answer to these problems that the Group concentrated. We cannot claim after a four-day stay that we are in a position to provide an independent assessment. The candid answers given to us by all those whom we met in Yugoslavia, however, did help us in trying to form a picture of the system. The present institutions are not three years old yet and the Yugoslavs themselves do not consider the picture to be in any sense a final one. For them direct democracy is a dynamic concept which is to be continuously reviewed and modified according to developments. If, therefore, our analysis is halting and inadequate, part of the explanation will be the extreme youth of the new set-up.

Some answer has already been given to the first question relating to the place of decentralised self-governing enterprises in any orderly economy. There is a great deal of regulation by law and rules, and control by People's Committees. It is not possible for any independent Workers' Council to hold the community to ransom. If for no other reason the market itself would not permit it. The internal market is free, and by regulating imports, Government can control prices. The external trade is centrally controlled. There is a sales tax and extra profits made by enterprises by raising prices to the Central Exchequer. The State also exercises control through the central general plan. The enterprises can indeed prepare their own plan but these are expected to be in harmony with the general plan. The latter determines the size and distribution of the total national income, the level of investment and the percentage of income to be contributed by the different undertakings to the State. It also stipulates compulsory minimum standards for the utilisation of productive capacity in the various sectors of economic activity. The National Central Bank and the Central Banks of the Republics exercise firm check over the financial system. It is only within these strict limits that there is devolution.

Another indication of the causes of conformity is perhaps to be found in the following recent exhortations from an influential leader.—

"If we desire to secure the realisation of the political course which lies at the base of the construction of socialist relations in our country, we must also secure strict control in connection with adherence to and execution of the laws and plans, and the decisions founded upon the laws and plans. This task has been entrusted to the State administration. We cannot, however, be content with present conditions in that sphere. In some cases, the apparatus is too weak in personnel or else is wanting in organisational development and solidarity. Frequently, there is vagueness as regards powers. It has happened in individual cases that even the unlawful acts of the Republican Executive Councils have been traced only after a long delay, not to speak of certain of the Peoples' Committees, the control of the legality of whose acts is particularly weak and slow. Such facts make for different acts of open breaches of social discipline, such as had been the subject of discussion at the plenary meetings of the League of Communists of Yugoslavia and the Socialist Alliance of the Working People of Yugoslavia. We have developed a ramified mass mechanism of self-government. We have created a healthy material and political base for the motion of socialist social forces. However, this is not enough. Very necessary is constant effort on the part of both the leading socialist political organisations, the League of Communists and the Socialist Alliance of the Working People, and on the part of the responsible State and other social organs. This effort should first consist in watching things, in the offering of assistance, in explaining, coordinating and canalising. Today, there is too little of this". One must not overlook the cohesive influence which can be exercised by the large number of ideologically unified members of the Communist League, who form the backbone of the self-governing bodies.

Under the Yugoslav system, certain amount of overlapping is inevitable, for there is comparatively free competition within a broad frame-work. There have been allegations of unco-ordinated or unprofitable use of resources. Annual financial allocations made to the autonomous enterprises have not always been put to the most useful purposes. We heard of a case where an individual enterprise took up production of a particular variety of goods when a surplus of these was already available. There is also unhealthy competition among enterprises to obtain State contracts and sometimes a less technically equipped enterprise gets the contract because its tender is the lowest. There was a controversy recently over the giving of a contract for the supply of wagons to a factory which was not equipped for that work, while factories better equipped for that purpose lost the contract because of higher quotations. Allegations have been made of wasteful competition from factories which wanted to take up new lines of production without developing the old ones. According to the official organs of the Trade Unions. Our Councils are new and lack routine. No practical conclusions have yet been drawn from experience to serve as guiding principles. There is still a lot of indecision, futile attempts and haste, anarchic confidence and bureaucratic mistrust. In addition to weakness of this kind, which are the result of inexperience and lack of routine, there are also essential

short-comings which arise from the incompleteness of the system. Here is a tendency to obtain economic advantages at the expense of another worker, factory or commune." The Yugoslavs do not consider these defects to be general or fundamental. The need for organisational measures to remove them is, however, recognised.

On the second point, namely, whether the committee system can produce the required ability to take risks and to take firm and prudent decisions, no general answer can be given with confidence. We were informed that production had in no way suffered and there had been hardly any case of loss. The index of overall production in industry rose from 100 in 1939 to 208 in 1954 and the ratio of export has changed largely in favour of manufactured goods as against agricultural goods. The Yugoslavs believe that in the present system the workers have an incentive to enlarge and modernise their enterprises. "To the Working Collectives are left a part of the funds at their independent disposal and the Commune and the Republic and the Federation also provide funds for investment for modernisation and expansion. To the question whether the Working Collectives will be interested in using these resources to effect modernisation and expansion, the answer based on experience so far is in the affirmative. They are interested in that direction because that makes for improving competitive strength, for co-ordination of production cycle, for increasing returns, for greater employment and more national production". We were informed that rationalisation proposals met with favour.

According to an independent observer there has been a general improvement among workers in the art of self-management though the results have not been uniform. In the more backward areas, the level of development is not yet high and there in practice it is the Director and his technical assistants who run the industry. We have described earlier the special provisions relating to the appointment of the Director. He is not appointed by the Workers' Council alone nor is the removable by it without the concurrence of another organisation. It would appear that the Director is the key figure in this system. In the first flush of enthusiasm, some workers' collectives thought that a Director was unnecessary and day to day management could be exercised by a Committee. Working results have, however, shown the worth of the Director and Directors of proved capacity are much sought after. All Directors have of course not been of the same quality. "Some have been time-servers and some mere assenters". But on the whole, the verdict given to us was that there had been general improvement both in their capacity and in their relations with the Councils and the Boards of Management. There has also come about greater recognition of the worth of highly qualified technicians in the beginning, as in our country, the 'mistri' was often considered the equal of the trained engineer.

The theoretical position of the Workers' Collective, the Council, the Board of Management and of the Director is explained in the following quotation from a recent official publication :

"Although it is nowhere laid down formally, ultimate seniority

in an enterprise falls to the working collective. It is the working, collective which elects and relieves the members of the Workers' Council who manage in its name. The working collective is not free to annul, formally and directly, the decisions of the organs of management since this would introduce insecurity in their work and handicap operations. However, given that the collective may at any time relieve its elected representatives, it is able to voice its disagreement with the decisions taken in a practical mode, and to manifest it in a highly efficacious mode. Although a working collective does not formally annul the decisions of the Workers' Council as its meeting, the very fact of disapproval being voiced in regard to a decision provides the incentive to the organ of management to reconsider such a decision. Thus far very few cases were recorded of the organs of management adhering to their original attitude in the event of disagreement with the collective to the extent of compelling the latter to implement its basic right-recall.

"If one were to pose the question thus: who is senior—the Workers' Council, the Managing Board, or the director of an enterprise—in the sense of who was accountable to whom, then the answer would be that Workers' Council was superior over the rest, since the director accounts to the Managing Board for his work and must abide by its decisions while the Managing Board is accountable to the Workers' Council and its decisions must conform to the conclusions of the Workers' Council.

"There is yet another detail, if one may call it that. The Director alone may decide and issue orders independently, individually and directly, whereas the members of the Workers' Council or Managing Board may bring decisions and resolutions only collectively at their sessions. Beyond the sessions and beside them individually they have no rights greater than those of any worker on the same job. This kind of inner organisation is indispensable for the sake of the homogeneity of an enterprise, of its internal discipline and the realization of the unity of the production process and management."

"It follows then that democratic self-government of the producers was supplemented and co-ordinated with the role of direct leader in modern production, a leader having the indispensable rights and powers yet one restrained in his basic action by the decisions of the collective organs of management."

We had the benefit of a visit to the headquarters of a great Motor Works near Belgrade. The Director was a former worker who had qualified as an Engineer. The members of the Workers' Council appeared to us to be educated persons and quite capable of understanding the business which came before them. The council were kind enough to read out to us some of the minutes of their meetings. The atmosphere appeared to be no different to that prevailing at a meeting of the Executive Committee of a large Co-operative Society, and it is perhaps in this description that the answer to the question posed in the previous paragraphs is to be found. A Committee system of management will work, if there is a good Manager and if the Committee members are sufficiently enlightened to let him work with independence within his field while not allow-

ing him to become the boss. The absence of class feeling and of large inequalities in income also helps in creating the appropriate social setting for auto-management. And not too far in the background stand the trade unions and the party to supply leadership and unity of purpose.

The question would still arise as to how new industries and new factories are being developed, for, obviously existing enterprises would not be interested in setting up a new enterprise the management of which would go to another set of workers. The Yugoslavs recognise this and responsibility for investment in new enterprises and new industrial branches has been placed on the local community and in the case of large projects, on the Republic or the Federation or both. This responsibility also flows from the special needs of comparatively undeveloped regions. The communes and the districts have an income of their own from which they can make new investments according to need. Credit can also be obtained from the State Banks.

To an orthodox trade unionist, the position of trade unions in the Yugoslav set up is puzzling. There does not seem to be any scope for collective bargaining over wages and conditions of work, nor would there appear to be any recognised position for trade unions in the settlement of grievances, which is the other major preoccupation of unions in most countries. The role of trade unions has been the subject of a lot of exposition by Yugoslav theoreticians and Public Relations Organisations. The following extract from an official publication called "33 Questions and 33 Answers" gives an adequate description of what the Yugoslavs are aiming at :

"The trade unions serve to assist and support the workers' organs of self-government in enterprises, they also are the organizers of control over the work of such organs, and they are the organization that trains the direct procedures for participation in such organs too. In this way the unions form part of the mechanism of self-government, its indispensable constituent. Besides that, the unions sometimes and in some spheres are in themselves a factor of self-government, one of the organization of self-government.

"This is particularly marked in the implementation of the pay system. In the enactment of the wages and salaries schedules, which includes rates for all work posts and jobs, the Workers' Council, the People's Committee and the union jointly participate. Such a schedule is an instrument establishing the inner relationships in the distribution between the workers and other employees, between the workers occupying the various work posts : at the same time the schedule forms recognition on the part of the community of determinate pay rates for different jobs, subject to the qualifications of those performing them and the nature of the assignments. Consequently the wages and salaries schedule represents a kind of collective agreement between the local community and an enterprise, better said, an understanding between a working collective, the District and the union regarding the pay rates at every economic enterprise. An since disbursement of salaries is subject to realization of an income, better said, since salaries have to be earned in the first place, such a schedule also

stands for an internal understanding of a working collective on the distribution of the joint earnings and the regulating of pay relationships in connection with the distribution of the income realized. Both the Workers' Council, the People's Committee and the union organ are anxious to reach an agreement such as will provide the best solution concerning the pay relations at an enterprise, as will conform to the interests of both the working collective, the local community and the working class as a whole. Their agreement differs from a collective agreement not merely in that it is not concluded between parties with conflicting interests but in that the participants in the enactment of the wages and salaries schedules do not assume mutual commitments, as is the case with collective agreements.

"The Trade-Union organ participating in the enactment of these schedules, being more often represented by the District Union Council and less often by the Republican Committee of a union, appears in a certain measures as an organ of self-government and assumes responsibility for the conduct of the wages policy. The Local Union Councils, where their participation in the proceedings is concerned, act towards co-ordination of the pay rate relations on their territories, the co-ordination of salaries between enterprises of different branches on the territory of the local community. The National Committees and other higher trade-union leaderships operate in the sense of co-ordinating the relations among enterprises of one and the same branch of industry and between them and communes. In effect both the ones and the others are pledged in principle to endeavour that equal rewards be paid for equal work, that the existing differentials be not excessive or unwarranted, that such differentials be the result of better work and better operations by the individual enterprises and not of varying criteria in establishing the individual pay rates.

"The unions by right participate in the Commissions on salaries in the economy (district, town, republican, and Federal ones). These Commissions are the organs of the state administration for questions of pay and are charged with assisting enterprises in the application of the pay system and with controlling and securing its enforcement. Likewise, the unions are inevitably represented on the arbitration commissions designed to bring final decisions in the cases where the People's Committee, the Workers' Council and the union-organ fail to reach agreement on some wages and salaries schedule.

The unions are preparing to take over yet other public-legal functions: they are to become one of the chief bearers and managers of the labour mediation service, and they are likely to assume certain other similar functions as well."

Developing the same theme, the Chairman of the Confederation of Trade Unions explained that though old attitudes still lingered, a new type of worker was now emerging. He did not need the protection of trade unions, which now had functions of a different character. They were not "organs of power" but helped to guide and maintain automanagement. On the one hand, they presented the workers' view before Government and Parliament, on the other they helped in the

explanation of national policy to workers. They advised on the distribution of resources, attempted to prevent monopolistic tendencies and coordinated the interests of different categories of workers. They carried on a wide-spread and intensive campaign for education and guided the Councils with their experience and greater knowledge. In particular, they exercised influence over the selection of members of Workers' Councils.

Membership of trade unions is voluntary and at present over 85% of the total number of workers are members. This would appear to indicate that these organisations have a necessary place of their own. According, however, to an evaluation made in 1952 by the International Confederation of Free Trade Unions, the position is not altogether a voluntary one :- "All the Unions are affiliated with one national centre controlled by the communists. Workers are not permitted to organise trade unions of their own choice which would be independent of the communist dominated centre. All the activities of the unions are in accordance with the instructions issued by the Regime. As in all communist dominated countries, the trade unions assist in the development of productions plans laid down by the Government." As evidence of the fact that Yugoslav Trade unions are not free, the I.C.F.T.U. paper further points out ; "In spite of very low wages, the unions have never called a strike and they have never protested against voluntary work done for very little, if any, payment." It is also alleged that members of trade unions are favoured in the allotment of work, in social insurance benefits and in regard to certain welfare measures. Whether these criticisms made in 1952 were valid then or are valid now we are not in a position to say. According to an independent observer who has visited a number of works, the prevailing atmosphere is not one of constraint. In spite of control by law and regulations and by the Peoples' Committees, there is a wide field of independence for the workers of an undertaking. If extra profits are made, part of them can be used for adding to wages. Another part can be diverted to welfare. The part invested in the undertaking itself would improve future prospects. In these circumstances, it is probable that the loss of the right to strike would not be much missed: one can hardly strike against oneself. Further-more, through Producers' Councils, in which workers have weightage, they have a say in determining the nature and extent of the controls which limit the independence of the undertaking. On theoretical grounds at least, there is a great deal to be said for the altered role of trade unions in the special set up of Yugoslavia. What the impact of outside organisations in practice is on the actual working of trade unions, workers' councils and producers' councils, we cannot assess.

Here as in the other countries we visited, great importance is attached to workers' education. Apart from technical instruction imparted through industrial schools organised by trade unions and in many cases by the undertaking itself, workers are given instruction in economic matters relating to management. We spent an impressive evening at the Workers' University at Belgrade which has been started by the trade unions. The University is housed in an unpretentious building and even our ignorance of the local language did not prevent us from sensing the atmosphere of sincere endeavour which pervaded it. During the last three years, over

15000 workers have passed through its various courses. Teaching is largely through seminars and group discussion. The subjects included in the main course are management of enterprises, the organisation of Workers' Councils and Management Boards and their meetings, the organisation of production in the various enterprises, costs of production, the general and commercial organisation of an enterprise and its financial activities, industrial relations, planning of production, the correct use of materials, the interpretation of cost accountants' reports, balance sheets and other documents. These seminars are usually arranged on the premises of an enterprise. A special short course has been started for members of Boards of Management, Chairman of Workers' Councils and trade union officials. The headquarters staff is small and it receives a great deal of assistance from part time teachers drawn from the enterprises or from other professions like economists, lawyers and teachers. The funds of the University come from fees, sports and cultural shows, grants from Trade Unions and Chambers of Commerce and from local District administrations.

The Yugoslav picture is unique. We see a great educational experiment. There is the education imparted by technical schools, seminars, evening classes and the like. There is the even more important education in the practical art of direct democracy. Though there are complaints of apathy, hundreds of thousands of workers learn at least the rudiments of the business of their enterprise through meetings of the workers' collectives. Very large numbers work as members of workers' councils and management boards. They are learning how to delegate and to control delegates. There is continuous guidance and orientation by Trade Unions and the Party. There is devolution within limits—limits which, according to prevailing thought, may be more stringently enforced in future. There is continuous self-criticism, but on the whole the results of the three year old changes are regarded as not satisfactory by the Yugoslav authorities. Production has increased. Productivity is, by western standards, said to be low and costs high but so far there has been little insolvency. It is claimed that the economy has been kept in balance and funds for investment do become available.

The Yugoslav economic conditions are in many ways comparable to ours. There is the same preponderance of agriculture in the national economy and a low level of wages and of per capita agricultural income. Like us, Yugoslavia also has the problem of how to compete in the foreign market if wages and cost of welfare were raised. In the nationalised sector, like us, the Yugoslavs had to cope with the charge that for the private owner the state merely substituted a remotely controlled bureaucracy. What then are the lessons for us from the Yugoslav experience? Have the Yugoslavs discovered the answer to the problem of industrial relations in under-developed countries? We cannot do better than quote two leading Yugoslav thinkers. "There is no need for you to follow us. We had no choice. We found a vacuum and had to fill it at once. You have the time and freedom to develop in your own way." Is it feasible to try auto-management in a few enterprises to see and test how it works? "I don't know India, but on general principles I should say that the experiment would be a failure in a mixed economy." These are impressive views. Industrial



relations depend on innumerable factors which vary from country to country, from community to community. To impose revolutionary solutions copied from a three or four year old experiment would be dangerous in the extreme.

## IV CONCLUSIONS

Though the need for close collaboration between workers and management is universally recognised, worker participation in management has been given several meanings and can have different facets in practice. To some the acid test, differentiating it from consultation, lies in the answer to the question: who has the final power to decide? If the employer has the final power, then the workers cannot be said to be participating in management, however strong the consultative machinery may be and however attentive the employer may be to the worker's views. On the other hand, it can be argued that a sharp line cannot be drawn between the rights of consultation and participation except as a matter of dialectics. Decision-making power cannot be absolute. The question is one of degree and if the practical arrangements ensure advance consultation and joint discussion and if the attitudes are those of co-operation and of consideration for each other's views, the workers would, in effect, be participants and not more advisers. There will, no doubt, remain an area, large or small, according to circumstances, which would not be covered by this method. But it is not necessary to look for a complete panacea in one single concept. For the purpose of this report, we have adopted the wider meaning.

This wider definition clearly can have validity only if the right attitudes are there. How are they to be developed? If they have not taken root so far, it cannot be for lack of preaching. Will they come about only after each side has experienced more clash and conflict? The Swedish experience is there to show that it need not be so. A sustained educational campaign can be of great help in improving attitudes. So far, whenever we have talked of education, we have only talked of workers' education. That, of course, is very important but we have neglected management and particularly, that at the middle and lower levels. In every country we visited, emphasis was laid on securing the willing co-operation of junior managers and supervisors and foremen. It is they who can make or mar joint machinery. It is they who have to deal directly with workers and who are more likely to feel the restrictions on traditional rights involved in workers participation. The employer or the managing director in his board room can more easily take the "big view", then the supervisor in the workshop, particularly if the pocket is not much affected. Apart from a beginning in Training within Industry courses, very little systematic effort has so far been made in this direction.

The content of this education campaign will need detailed planning. Some set lectures will undoubtedly be useful but the best method would be that of group discussion at which experienced would be compared and specific problems debated. In our own country there exist examples which need fuller study. Printed reports about these are indeed available, but few people read reports. To make the idea sink in and to make the managerial staff think on these problems, the group discussion method should be adopted, supplemented of course by pamphlets, articles, talks, and the like. Training Within Industry

courses should be intensified. In the organisation of all this initiative must largely come from the employers but government should also help. In the U.K. lead was taken by the Ministry of Labour in organising a conference in 1947 which made the policy recommendations on which much of the current joint consultative machinery in the private sector is based. Apart from conferences at national and state level, a great deal of follow-up work will be necessary in our country, for filtering down is not so easy in our conditions as has apparently been the case in U.K.

We have quoted earlier a striking phrase used on our visit to a British private concern where joint machinery has been particularly successful: "Joint consultation should be inbuilt". This means that such consultation is not merely a matter of bringing together two parties, workers on one side and the employer or his representatives on the other. Jointness has to be there all along the line. Technical experts and supervisors should cease to be mere links in the chain of command, they should be organic parts of the consultative system. This will need a great deal of re-thinking by those responsible for personnel management. We do not think there should be any regulation by government in this regard, but government should provide an advisory service on personnel management, as has been done by the U.K. Ministry of Labour. This should be a small service to begin with, for the necessary expertise will have to be built up. The service should largely function not so much as consultants as disseminators of information. Many employers, too small to be able to employ personnel experts of their own, may find it useful to have guidance supplied to them on the basis of the experience of others.

Throughout our visit we were impressed with the importance of adequate preparation for success of worker participation. In every country we visited, there are workers' colleges, schools, courses, evening classes, seminars, printed literature and the like to train them not merely to become more skilled but also to acquire understanding of the work they are engaged in so that they can really "participate" and not merely the passive tools in the hands of demagogues. In this initiative elsewhere has come from the trade unions. But our unions have not always got the resources for this purpose and it will be necessary for government to assist. This has been recognised in the Second Five Year Plan and we understand that the Ministry of Labour has set up a committee to make concrete proposals for the purpose. It is not necessary for us, therefore, to go into further detail. We would only suggest that while government should accept leadership for organising a sustained educational campaign, it would be unwise to make it a departmental affair. Every effort should be made to build up a tripartite machinery of direction, and in implementation employers' organisations, trade unions, universities and non-official bodies similar to the U.K. Institute of personnel Management, the Industrial Welfare Society or the National Institute of Industrial Psychology should be fully utilised.

At the risk of labouring the obvious, we have emphasised the importance of re-orientation of attitudes, for that is basic. At the same

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\*Sri Rajopal feels that a small service will not serve any useful purpose in a vast country like India. He is of the view that such a service should be introduced only when the required executive staff has been built up through training of adequate personnel.

time, care has to be taken to secure the other conditions under which joint machinery can work. Good participation machinery will contribute to good Industrial relations but successful participation itself is dependent on good industrial relations. The first interests of workers are wages, conditions of work, security and a fair grievance procedure, and if there is bitterness over these, no real participation is possible. Satisfactory arrangements for collective bargaining and for the settlement of unresolved disputes are, therefore, essential for the success of worker participation. It is outside our scope to make suggestions on this wide subject but we have considered it necessary to draw attention to this aspect of the matter, as it will have bearing on the choice of the field where the organisation of participation machinery should begin. Connected with it also is the question of relationship with trade unions. Joint councils of management cannot be a substitute for trade unions. In the first place, that would not be possible even if one decreed it. Trade unions have a distinct protective role to perform and workers will not abandon the organisations which have given them strength. Secondly, questions of wages and bonus may often require bargaining, table-thumping and manoeuvring. That would not be the appropriate attitude for the joint machinery. To create conditions for success, one should recognise that joint councils cannot cover the whole field of worker interests. A demarcation of functions is necessary. What are known as collective bargaining matters should be left to trade unions. Even after division, care will be necessary to arrange that the latter co-operate with the joint machinery. If there is no connection between it and trade unions, the latter might tend to look upon it as a rival for power and if they are hostile, it would be easy for union leaders to destroy the foundations of joint consultation or participation, by labelling the worker representatives on joint bodies as "employers' men". The latter would then be tempted to cease being reasonable participants for fear of losing the confidence of their constituents. For the success of worker participation, it is necessary that there should be a strong self-confident trade union\* closely connected with the machinery of participation and with a reasonably clear separation of functions.

How is this close connection with the machinery of participation to be secured? How are the different functions to be defined? Much depends on how the worker representatives are selected. As will be seen from earlier pages, there is no uniformity of practice on these points. It is possible to have a system of election, of nomination or of a combination of the two. The election system undoubtedly gives the workers more direct interest and power, but it has its disadvantages also. It may foster faction and put a premium on the election of rabble-rousers rather than of sturdy trade unionists. We are starting in a new field and in the beginning, at any rate, it would be advisable to devise some method for closely associating the trade unions in the selection of worker representatives.

On the subject of division of functions, it would be preferable to exclude wages and bonus and individual grievances† from the purview

\*Shri Mitra is of the view that the existence of a strong and self-confident trade union is not indispensable for the success of worker participation.

†Shri Rajagopal is of the view that individual grievances should not be excluded from the purview of joint bodies.

of joint bodies, but otherwise leave the list a flexible one to be settled by joint consultation between the management and the representative trade union. The aim should be to leave as wide a field for the joint bodies as possible. One should guard against their functions being so attenuated as to lead to apathy. Lack of interest in joint committees has been a complaint in many countries: Even in Sweden, trade unions find it necessary to make continuous exhortations to members to take interest in these bodies. In our country, workers' apathy might be as great a danger to worker participation as their lack of 'education' or the employers' unwillingness to part with power.

With apathy will come the danger of "bosses". No shortcuts can be devised to counter this. The remedy must lie in the general development of the workers' mentality. We have described earlier the emphasis which has been put elsewhere on adequate arrangements for communication. There has to be full communication not merely from management to workers' representatives but also from the latter to the general body of workers. All kinds of techniques have been developed for this purpose. Minutes of joint committees are publicised in various ways. Group talks are organised. Information in a readily assimilable form is given through posters, wall graphs, charts, bulletins, notice-boards, leaflets, films and exhibitions. In some places, the device has been adopted of conveying information through folders enclosed with pay-packets. In our country the written word will not go far and we shall have to develop methods suitable for our conditions. Widely disseminated information will be one of the answers to the problem of broadbasing joint consultation or participation.

Worker participation can take place at various levels. In the foregoing paragraphs we have discussed some of the conditions necessary for participation at the work-place level. The question of participation in the highest organ of management, the Board of Directors, has also to be considered. Attitudes in this regard vary. On the one hand, there is the attitude in U.K., where notwithstanding pressure from certain unions, the British Trade Unions Congress has officially repudiated the demand for such participation. On the other, there are the French and German Trade Unions which demand increasing say at that level. Theoretically, there is a wealth of argument to be produced on either side. We do not feel justified in suggesting a dogmatic answer on this issue. If an industry has been able to build up, over the year a solid tradition of settlement of differences by agreement, no harm will result from worker representatives sitting on the Board of Directors and there may in practice be some emollient effect. The trade union may itself, of course, not wish to accept the dual responsibility but, given the right attitudes, these problems of loyalties can, in time, yield to changed habits of thought.

Participation of trade union leaders on the Boards of nationalised undertakings is not new in our country. They, have, however, been appointed as enlightened leaders of the trade union movement and not as representatives of the concerned trade union. One may not go as far as the German practice of Co-determination but introduction of the "representation" principle may, in time, have to be considered in the nationalised sector as the preparatory and

*educational measures bear fruit and by learning how to participate at the work place level, the workers fit themselves more and more for participation at the higher level.*

*In all this discussion about institutionalised participation, there is some risk of the essence being overlooked. As experience elsewhere shows, formal machinery is necessary but it cannot take the place of informal consultation at the shop-floor. Such consultation cannot obviously be ensured by law or even by collective agreement. The initiative for it must rest on the management and one of the objects of the conferences, seminars, study groups and the like which we have suggested earlier should be to "build in" the habit as a matter of normal routine of administration.*

*In the background of these general conclusions, many of which, we fear, are no more than frequently urged and usually neglected platitudes, we may proceed to attempt broad answers to some of the questions which we set ourselves (see the questionnaire in Appendix II)*

*The first question is whether the setting up of joint councils of management should be left to voluntary action as in Sweden or in the private sector in U.K. or whether they should be prescribed by legislation. It can be argued that legislation has already been tried. Works committees with a wide scope were prescribed several years ago and it is generally admitted that they have not been much of a success. From their very nature, such joint bodies are dependent on the spirit in which they are worked and that law cannot prescribe the spirit. There is force in this view but in our circumstances, it is equally true that absence of legislation might mean inaction. Legislation may help to create the proper climate and the necessary sense of obligation. There is something to be said for taking the horse to the water, even though one cannot force it to drink. The mere fact that there have to be joint meetings will, in many cases, give an impetus to joint consultation. We should analyse the causes of the failure of the present works committees and seek remedies for them. The committees became, in effect, mere grievance committees. It is possible that their relationship with the trade union had not been fully thought out. In any case, legislation has not been the reason for their lack of success. We believe that it would be helpful to have some permissive legislation to provide the frame-work, the rules of the game, so to speak. Procedures should be left flexible, to be developed by joint consultation. It would however be a mistake to apply compulsion universally. Government should have the power to decide where the law should be applied and where it should not be applied. Among the considerations which should be taken into account in deciding whether the law should be applied to a particular undertaking are its size, the existence of local demand and the state of workers organisation and of their preparedness for participation. In Belgium, the minimum limit for the application of the law about joint councils was, until recently, 200 workers. In our country, a higher limit may be desirable. There will then be greater chances of securing a sufficient number of competent workers' representatives for duty*

on the mangement councils. If the undertaking has rival unions of approximately equal strength, internecine strife may ruin the chances of successful participation. Worker representatives would then be tempted to take up extreme attitudes. Again, the industry concerned should be a stable one. It would probably be advisable to leave alone the industries whose workers have to be protected under the Minimum Wages Act. We cannot, for example, visualise joint councils functioning in the Bidi industry. It would also probably be advisable to begin with undertakings which are not too complex. At any rate, in such undertakings the field of joint consultation might be more limited than where the operarions can be more readily understood by workers.

We then come to the question of structure and composition. There may be a single council for an undertaking as a whole, provided it is not made up of units at different places. For undertakings spread over several places, there may be separate councils at the local, regional or national levels. These bodies should, whenever necessary, have sub-committees, technical committees or study-panels to deal with different subjects. This would prevent overloading of agenda, particularly in big undertakings. Special provision may be made for the representation of technicians; for, in practice, success will depend largely on their superior knowledge and initiative. Outsiders may be necessary in the beginning but there should be a limit above which they must not come in. They should, however, be eligible like other non-members, to sit without restriction of numbers on the sub-committees, technical committees or study-panels set up by the main council. Many countries have adopted the principle of equal representation of workers and employers. Strict adherence to this is, however, not necessary, as the essence of joint consultation is decision by agreement and not by voting.

As regards the functions, we have already pointed out the necessity of excluding collective bargaining functions from the scope of joint mangement councils. It is not easy to draw a sharp line of demarcation to settle what are collective bargaining functions. In a sense the term begs the question. In certain circumstances, most matters can be converted into subjects of collective bargaining. The demarcation can best be made by consultation between the management and the representative trade union. But certain broad indications, based on the experience elsewhere and adapted to our own practice can be given. The object should be (1) to provide a means of communication (2) to collaborate in the improvement of working and living conditions (3) to collaborate in improving productivity (4) to encourage suggestions and (5) to help in the administration of laws and agreements. The councils may be conveniently consulted over matters like (1)\* alternations in standing orders (2) retrenchment (3) proposals for rationalisation (4) closure, reduction in or cessation of operations (5) introduction of new methods (6) procedures for engagement and punishment. They may also have the right to receive information and make suggestions about (1) the general economic situation of the concern, the state of the market, production and sales

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\*Shri John is, however, of the view that these subjects are more suitable for collective bargaining and should be left out of the purview of joint councils.

programmes (2) organisation and general running of the undertaking (3) circumstance affecting the economic position of the undertaking (4) methods of manufacture and work and (5) the annual balance sheet and profit and loss statement and connected documents and explanations.

In drawing up the list we have attempted to exclude matters which would viciate the atmosphere of "Jointness" or which would cut across trade union prerogatives. For the former reason individual grievances have been excluded, for the latter, questions of remuneration. Subjects like standing orders, retrenchment and rationalisation are on the border line and can also be excluded. But given the close connection between the union and the council of management which we have advocated—"the joint committee should be considered the elongated arm of the union",—the latter may itself find it profitable to have these matters thrashed out in a joint council.

On the question of the information which must be given, two problems arise. First, there is the problem of how to present it in a form the workers will understand. This will need a great deal of study and effort and one should not be deterred if progress is slow. The information given may not be fully understood but the very fact that it is given should help to build up confidence. Then there would be the question of secrecy. One can, of course provide a penalty for divulging of confidential information but that will be no check in practice. All that we can suggest is that, on the Belgian model, the obligation to supply information should not apply to information which could be used by a rival to the prejudice of an undertaking. Such an exemption will leave a great deal of discretion in the hands of the employer but there is no help for that. If this discretion is taken away, the only result will be disputes, in practice no employer would ever risk the leakage of information which will prejudice him vis-a-vis his competitors.

We have referred several times to the danger of apathy. To reduce that, councils of management may be given some administrative responsibility, apart from the right of consultation and the right to information. These may well cover some of the following: (1) the administration of welfare schemes (2) the supervision of safety measures (3) the operation of vocational training and apprenticeship schemes, where such exist, (4) the preparation of schedules of working hours and breaks (5) the preparation of holiday schedules and (6) payment of rewards for valuable suggestions. Of these particularly important will be the administration of welfare schemes, which will give direct training in administration, and the "suggestions" system. There will be a tendency to scorn the workers' ability to make suggestions of value. Many suggestions will of course be impractical and may even be puerile. But there will be some surprises also.

These are all the suggestions we have to make regarding the framework of participation. There will arise in practice innumerable questions of detail. What should be the size of the councils of management? What proportion should the number of worker representatives bear to the number of workers? Who will decide



the agenda ? At what hours should the council meet ? Should the worker members get any remuneration beyond compensation for loss of earnings ? Should there be provision for recall ? Should worker members function as delegates or as representatives ? Should there be provision for a referendum on important issues on which worker opinion is divided ? Should a minimum percentage of wages or of income or of profits be placed at the disposal of the councils for welfare work ? Should there be provision for arbitration at the choice of either side in case the council fails to agree ? Should chairmanship alternate ? What facilities must the employers provide for the work of the councils ? We hope no one will attempt sweeping all-embracing prescriptions for these matters. They are best solved by mutual discussion and mutual agreement in the undertaking itself. The law should only provide the framework while all the parties-government, employers and trade unions, should combine to develop machinery for 'education', for re-orientation, and for guidance.

## **APPENDIX I**

### **List of Government departments, organisations etc., visited by the Study Group**

#### **(a) France**

1. Ministry of Labour.
2. Secretary General of the Employer's Association (CNPF)
3. Secretary General of each of the three Trade Union Federations (CGT, FO and CFTC).
4. Principal Engineer of the French Railways.
5. Labour and Social Relations Division of the Coal Industry.
6. Electricity and Gas undertakings.
7. Renault Motor Works.

#### **(b) Belgium**

1. Ministry of Labour of the Belgian Government.
2. International Confederation of Free Trade Unions.
3. General Federation of Trade Unions (FGTB)
4. Confederation of Christian Trade Union (CSC)
5. Federation of Belgian Industries.

#### **(c) United Kingdom**

1. Ministry of Labour and National Service.
2. British Employers Confederation.
3. British Trades Union Congress.
4. Central Electricity Authority.
5. Glacier Metal Co. Ltd.
6. British Oxygen Co. Ltd.

#### **(d) Sweden**

1. Ministry of Social Affairs and Housing.
2. Government Board of Collective Bargaining.
3. Social Welfare Board.
4. Confederation of Trade Unions (LO)
5. Swedish Employers' Confederation (SAF)
6. Central Organisation of Salaried Employees (TCO)

**(e) Germany**

1. Ministry of Labour.
2. German Employers' Association.
3. German Federation of Trade Unions.
4. German Federal Railways.
5. Manensman Works.

**(f) Yugoslavia**

1. Mr. Moma Markovic, Member of the Federal Executive Council.
2. Mr. Franc Popit, Secretary for Labour to the Federal Executive Council.
3. Mr. Jovan Djordjevic, Under Secretary, Federal Executive Council.
4. Mr. Dobrivoje Vidic, Under Secretary for Foreign Affairs.
5. Mr. Veljeko Vlahovic, Chairman, Foreign Affairs Committee of the People's Assembly of Yugoslavia.
6. Chairman, Vice Chairman and Secretary of the Central Committee of the Trade Union Confederation of Yugoslavia.
7. Chairman of the Producers' Council of the Federal Parliament.
8. Federal Board for Social Insurance.
9. Director General and the members of the Directorate General of the Yugoslavia Railways.
10. Workers' university.
11. Rakovica Motor Works.

## APPENDIX II

### QUESTIONNAIRE

#### 1. Method Of Establishment And Coverage

1. Should the management councils be set up—
  - (a) through voluntary agreement ? or
  - (b) through legislation ?
2. If they are to be set up through legislation—
  - (a) should setting up of such councils be made compulsory ? or
  - (b) should the law empower Government by require selected undertakings to set up such councils ?
3. If powers are to be taken by Government to reuire establishment of such councils what factors should be taken into account in asking an undertaking to set up such councils ?
  - (a) size and stability of the undertaking?
  - (b) level of the workers' organisation in the undertaking and the workers' ability to participate effectively in the work of such councils ?
  - (c) existence of local demand for the establishment of such councils ?
4. What should be the coverage of any such legislation ?
  - (a) should it cover undertakings upto a prescribed minimum size, say, those employing 100 workers ?
5. should a beginning be made in the public undertakings, as proposed in the Industrial Policy Resolution of April 30, 1956 ?
  - (a) If so, in which of the public undertkings ?
  - (i) In Railways which are the oldest public undertaking and where workers also are well organised ?
  - (ii) In non-industrial undertakings likely the Insurance Corporation, etc. where employees are likely to be better able to practise participation ?

#### II. Structure And Composition

6. (a) should there be a single council for an undertaking as a whole ? or
- (b) should there be separate conucils at the local, regional and or national levels in respect of undertaking spread over the

whole country (e.g. Railways) or having different units at different places under the same management ?

7. Should such councils (at whatever level) have separate sub-committees or technical Committees to deal with different subjects like welfare, safety, etc., for instance ?
8. How should the employees' representatives on the Council be selected ?
  - (a) by direct secret ballot of the employees concerned ?
  - (b) on the nomination of the trade unions concerned ?
9. If the employees' representatives, are to be elected—
  - (a) should they be elected in separate constituencies composed of different categories of employees, e.g., manual workers, clerical staff, technicians etc. ?
  - (b) where only a part of the personnel are members of a trade union or unions should such election take place on the basis of union and non-union constituencies, seats being reserved for unions in proportion to their membership ?
10. If the employees' representatives are to be the nominees of trade unions—
  - (a) should the most representative union have the sole right to nominate ?
    - (i) which union will have the right to nominate where there are rival unions ?
    - (ii) should the several unions have the right to send nominees in proportion to their membership ?
  - (b) how are those employees who are not members of any trade union to be represented ?
11. If Councils are set up at different levels how are the employees representatives on the Councils at higher levels to be selected?
  - (a) on the nomination of Councils at the lower level ?
  - (b) on the nomination of the trade union or unions ?
12. Should persons who are not employees of the concern be allowed to sit on the Councils as employees' representatives ?

If so, should there be any restriction regarding the proportion of such non-employee members ?

- If Councils are to have technical committees or Sub-Committees how are these to be constituted ?
  - (a) Should all members of such committees necessarily be members of the Councils also ?

or

(b) should it be permissible to have non-members to sit on such Committees in consideration of their technical knowledge?

14. Are the Councils to be composed on the basis of equal representation of workers' and employers' representatives?
- (a) how is the chairman to be appointed?
  - (b) what should be the method of voting in the Council?
  - (c) should decisions be taken by a majority vote or by agreement?

### III. SCOPE AND FUNCTIONS

15. What should be the scope of activities of the Management Councils?
- (a) should these be clearly demarcated from the normal trade union function of negotiation and collective bargaining?
  - (b) should the Councils operate within the general frame work of agreements arrived at through collective bargaining?
  - (c) should they have the right to supplement or interpret such agreements if necessary?
16. It is practicable to assign to the Councils different degrees of responsibility with regard to different subjects entrusted to them in such a way that they may exercise advisory functions in respect of some of them and administrative functions in respect of others?
17. (a) Does the following list provide a satisfactory categorisation on the above basis? or
- (b) should further subjects be added and the organisation altered?

#### List of Subjects

##### A. General,

- (i) Providing a means of communication between the management and the employees.
- (ii) Collaboration in the improvement of working and living conditions.
- (iii) Improvement of production through economic use of personnel and materials.
- (iv) Better use of working time and reduction of absenteeism.
- (v) Promotion of a spirit of co-operation, interest and responsibility.
- (vi) Encouragement of suggestions.
- (vii) Collaboration in the observance of labour laws and agreements.

- (viii) Maintenance of discipline
- (ix) Participation in inspection

**B. Functions where Councils will exercise direct powers of administration or take final decisions**

- (i) Administration of welfare, mutual aid and allied schemes
- (ii) Supervision of safety measures
- (iii) Operation of vocational training and apprenticeship schemes
- (iv) Preparation of schedules of working hours and breaks
- (v) Preparation of holiday schedules and rosters
- (vi) Fixation of job and piece-rates for individual processes
- (vii) Supervision of disbursement of wages and salaries
- (viii) Payment of rewards for valuable suggestions
- (ix) Drawing up of standing orders.

**C. Functions in respect of which consultation with the Council would be compulsory before action is taken.**

- (i) Disciplinary measures against individual workers
- (ii) Engagement, regrading and permanent transfer
- (iii) Lay-off, retrenchment, dismissal and discharge
- (iv) Closure, reduction in or cessation of operations
- (v) Amalgamation or other important changes
- (vi) Introduction of completely new methods of productions

**D. Matters on which a Council would have the right to receive information and make recommendations**

- (i) General economic situation of the concern-state of the market, production and sales programmes
- (ii) Organisation and general running, of the undertaking
- (iii) Circumstances affecting the economic position of the undertaking
- (iv) Methods of manufacture and work
- (v) Annual balance sheet and profit and loss statement and other necessary documents and explanations

#### **IV. GENERAL AND MISCELLANEOUS**

18. Should there be any scheme for the training of workers so as to enable them to participate effectively in the work of the Councils ?
19. If so, (a) what are the subjects in which training is necessary (e.g., management practice, work shop democracy) ?  
(b) How should such training be organised ?

(c) Who should bear the necessary expenses ?

20. Should there be any legal protection ?
  - (a) for the worker against victimisation for work done or opinions expressed in the Councils; and
  - (b) for the employers against divulging of confidential information by members of the Council ?
21. Should it be obligatory on the employer concerned to provide for the premises, material and personnel necessary for carrying out the work of the Councils ?



## **APPENDIX III**

### **ILO Paper on :**

## **WORKERS' PARTICIPATION IN MANAGEMENT**

### **Divisions**

#### **Workers' participation in management by special bodies**

<b>Under international standards</b>	<b>---</b>	<b>...</b>	<b>...</b>
<b>Bodies set up by collective agreements</b>		<b>...</b>	<b>...</b>
<b>Bodies set up by legislation</b>	<b>...</b>	<b>...</b>	<b>...</b>

#### **Worker's representation in the managing or supervisory bodies of undertakings, publicly operated services and nationalised industries**

**...      ...      ...**

#### **The system of auto-management by workers in Yugoslavia**

**...**

#### **Note :**

**Aside from the references given in the footnotes, information regarding the position in different countries may be found in Appendix II of the McNair Report (Monographs relating to States Members of the Organisation).**

## **Workers' Participation in Management**

Workers' participation in the management has been considered by the I.L.O. primarily in connection with consultation and co-operation between employers and workers at the level of the undertaking. This question was dealt with in the Report on Industrial Relations (Report VIII (1) ) submitted to the 31st Session of the International Labour Conference, which adopted in 1952 a recommendation and a resolution on the subject. Aside from notes published from time to time in *Labour and Industry* showing the developments in different countries, a discussion of the principles and practices in this field may be found in a number of Studies and Reports, namely :

Co-operation in Industry. New Series, 1951 (No. 26.)

British Joint Production Machinery. Series A (Industrial Relations), 1944

Labour-Management Co-operation in United States War Production, New Series, 1948.

Labour-Management Co-operation in France. New Series, 1948.

The most common method of workers' participation in management, viewed as a system of Labour-Management consultation and co-operation, is through special bodies variously denominated joint production committees, works' committees, works councils, management councils etc. Another method is through workers' representation in the directorate or board of management of the enterprise. In Yugoslavia the system of auto-management by the workers is practiced.

### **Workers' Participation in management by special bodies**

The machinery for workers' participation in the management or for co-operation between Labour and management at the level of the undertaking may be set up by collective agreement or by national law or regulations. Each of these methods has its advantages and drawbacks.

The establishment of the machinery by agreement offers the parties concerned greater freedom in choosing the type of organisation, its structure, scope and functions most suited to the undertaking. Furthermore, where this method is used, it may be supposed that each of the parties has recognised the need for such machinery and will make efforts to ensure its success.

On the other hand, establishment by law has the advantage of providing a uniform system, with the different undertakings covered by the legislation placed on an equal footing. Legal compulsion also gives the quality of permanence to the machinery, whereas a collective agreement may remain in force for a limited period only or is subject to denunciation by either party.

However, these differences are not as fundamental as they may appear at first sight. First of all, the legislation in question may rely on the good-will of the parties rather than on compulsion. Apart from laying down certain principles, it may leave the function of completing the statutory scheme to agreement between the parties concerned. And in any case, the question of whether the scheme is likely to expand and to be enduring will depend on how effective it is made in practice.

Besides the question of method in the establishment of the machinery, other questions considered in dealing with this matter relate to the composition of the body, the method of selecting the workers' representatives the type of questions that the body may deal with, the effect given to its decisions (whether advisory or otherwise), measures to facilitate its proper functioning, etc.

### **Under international standards**

The Co-operation at the Level of the Undertaking Recommendation, 1952 (No. 94) provides that "Appropriate steps should be taken to promote consultation and co-operation between employers and workers at the level of the undertaking on matters of mutual concern not within the scope of collective bargaining machinery, or not normally dealt with by other machinery concerned with the determination of terms and conditions of employment". In accordance with national custom or practice, such consultation and co-operation should be facilitated or promoted by (1) the encouragement of voluntary agreements; (2) laws or regulations establishing bodies for the purpose or (3) by a combination of these methods.

The Recommendation is supplemented by a resolution adopted on 26 June 1952 setting out in more detail the provisions by which the parties acting on a voluntary basis or the public authority making laws or regulations may be guided when making arrangements for the purpose. It prescribes that "bodies for consultation and co-operation should have the essential function of increasing undertaking of each other's point of view between all parties on a basis of real equality of discussion, and of assisting management by giving advice, information and suggestions on matters relating to production and the comfort and well-being of the works. The other provisions relate to the selection and removal of the workers' representatives on such bodies, the appropriate measures that should be taken by the managements of undertakings to facilitate their proper functioning, the protection of the workers' representatives against discrimination because of the exercise of their functions and the obligation on the part of the workers' representatives not to disclose confidential information brought to their knowledge during the performance of their functions.

#### **Bodies set up by collective agreements.**

##### **(a) Practice in Canada and the United Kingdom.**

In these countries it was the war effort which encouraged the establishment of joint production committees by collective agreements. As is well known, the experiment was first tried in the United

Kingdom during the First World War upon recommendation of the Whitley Council. In Canada and in the United States, these committees acquired importance during the Second World War, but the interest therein appeared to have subsided in the United States after the War.\*

At present, in both Canada and the United Kingdom, the Governments actively encourage the establishment of joint production committees by collective agreements with the open support of employers' and workers' organisations. In Canada, the Labour-Management Co-operation Service of the Department of Labour is responsible for promoting the establishment of special committees; it is assisted in its task by an advisory committee with employers and workers' representatives and has offices in several centres. The principal of these production committees has been approved by representative organisations of workers and employers.

In Great Britain the object of the Government is to ensure the rapid development of joint production committees. "so that what is now the practice of some firms may become the practice of all".†

As far as the private sector of industry is concerned, the National Joint Advisory Council decided in January 1947 to recommend employers' and workers' organisations that joint consultative machinery should be set up, where it did not already exist, for the regular exchange of views between employers and workers on production questions‡ it being understood that such machinery would be "voluntary and advisory in character", that it would not infringe upon the normal functions of trade unions and that—

.....it would be left to each industry to adopt the form of machinery best suited to its own particular circumstances and to decide in particular whether machinery could best be established at the factory level or over a wider area.

The existing committees have been roughly classified into four main categories:

1. Industries where the national organisations on each side have agreed to recommend to their members the establishment of joint committees in accordance with some form of model constitution which specifically provides for the consideration of matters relating to production; engineering (it has been confirmed by both sides that an agreement of 1942 is still operative); iron and steel; film production; electric cable making; rubber manufacture.\*\*

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\*As to the experience in the United States, see Labour Management Co-operation in the United States War Production.

† Ministry of Labour and National Service: *Industrial Relations Handbook*, Supplement No. 3, December 1949, "Joint Consultation in Industry", p.3.

‡ Ministry of Labour and National Service: *Industrial Relations Handbook*, Supplement No. 3, December 1949. "Joint Consultation in Industry", p.4.

\*\*Since the preparation of the Ministry's report, model agreements have been concluded in certain other industries, in particular, pottery, ship-building, biscuit manufacture and light metal trades. A similar agreement also exists in respect of co-operative wholesale societies.

2. Industries where the national organisations have agreed to recommend or approve the establishment of joint consultative machinery at factory level if such machinery is desired by both sides in any establishment, but have left the form which such machinery should take for determination by agreement in the establishments concerned: carpet manufacture; boot and shoe manufacture; chemicals; rayon yarn producing; hosiery; silk; printing (the representation of the workers to be based on the existing "chapel" organisation).\*

3. Industries where the national organisations are satisfied with existing arrangements for joint discussion which permit the establishment of works committees or councils by local agreement with powers to discuss matters relating to production: flour milling; cement (an agreement of 1920 sets out a model constitution for works committees); cast stone and cast concrete products; seed crushing, compound and provender; Welsh plate and sheet; veneer producing and plywood; asbestos manufacture; cocoa, chocolate and confectionery; Welsh engineers and foundries; wallpaper making; match manufacture.

4. Industries in which existing arrangements are considered adequate by both sides, although in general no formal machinery for the purpose of joint consultation exists in individual establishments: cotton manufacture; heating, ventilating and domestic engineering; paper and paperboard manufacture.†

As far as the nationalised sector of industry is concerned, the various Acts by which they were placed under public ownership impose an obligation on the management, except where adequate machinery is already in existence, to seek consultation with the appropriate trade unions with a view to the establishment of machinery for the promotion and encouragement of measures affecting the safety, health and welfare of persons employed in those industries, and for the discussion of other matters of mutual interest, including efficiency in the operation of the industries. Considerable progress has been made in the establishment of machinery for this purpose.‡

As regards the operations and functions of the committees, some characteristic features are noticeable both in the general agreements of certain British industries and in the history of the Canadian committees. The Canadian committees are joint bodies: equal representation is usual and in any case it is provided that the representatives of the management shall not exceed those of the workers. The management appoints its own representatives; those of the workers may be elected by secret ballot or be appointed by the trade union (this is quite a general practice in Canada).\*\* The Chairman

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\* It would appear that the following industries may also not be included in this category: quarrying; Tobacco; chemicals, pharmaceutical supplies and fine chemicals; furniture; soap, candle and edible fats.

† It would appear that various other industries have also, subsequently, adopted this attitude and, in particular, the following: bacon curing building; brick industry; glass container industry leather goods.

‡ *Industrial Relations Handbook*, op. cit., p. 7.

\*\* See Department of Labour: *Industrial Democracy at Work* (Ottawa (1946), p. 35, where it is stated that "both management and trade unions have testified as to the advantages of this arrangement. It helps to maintain the distinction between questions which are properly the subject of collective bargaining and those which come under the jurisdiction of the labour-management production committee."

of the committee is generally a representative of the management; sometimes, however, the chairmanship alternates between the wage earners and the management or else co-chairmen are appointed. Very often there are two secretaries, one appointed by each of the parties.

Members of the committee usually form specialised sub-committees on particular problems and often, also, departmental or branch committees. In large undertakings, the committee representing the whole undertaking is in fact, often the apex of a pyramid, the workers' members being elected by the workers' members of the departmental or branch committees, who are themselves elected by plant committees. An instance is afforded by the agreement on joint committees in Imperial Chemical Industries, Ltd. At the base is the plant committee whose recommendations are, transmitted either to the management of that plant or to the divisional council. The recommendation of the latter are, in turn, transmitted either to the management of the division or to the central council for the undertaking, and it is only the recommendations of the central council that are transmitted to the management of the undertaking. \*

The agreements often contain provisions as to the representation of the different branches, co-option of consultative members, frequency of meetings, circulation of agenda, preparation of minutes, quorum, period and termination of appointment of staff representatives, obligations of the employer in relation to the committee, payment as for working time in respect of time spent by the staff representatives in attending meetings of the committee and protection of such representatives in respect of their activity as members.

The functions of the committees are strictly advisory. Generally speaking, they are required to—

- (1) deal with all questions relating to the improvement of methods of production and to increased out-put, safety and hygiene, better use of working time, reduction of absenteeism, economic use of materials, etc....and to encourage suggestions on the part of the workers on all these matters;

- (2) serve as a recognised means of communication between workers and management with regard to any questions concerning the welfare of the workers and the general benefit of the undertaking;

- (3) give the wage earners a greater interest in and more responsibility for determining conditions that affect their work ;

- (4) promote a spirit of co-operation in the undertaking.

Their scope, therefore, is both varied and broad. In fact,

..... many firms are discussing matters of high level policy in their works councils, including programmes, the company's financial position and the equitable distribution of profit. This involves..... the open disclosure to employees of financial information formerly

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\* See *Industrial Relations Handbook*, op. cit. pp. 28-36.

regarded as the exclusive property of top management.\*

However, and this provision applies to nearly all the committees, they are not competent to deal with questions which normally come within the scope of negotiations between the undertaking and the trade unions.

### (b) Practice in the Scandinavian countries

Industrial relations in Denmark, Norway and Sweden are conducted by powerful and centralised industrial organisations. National or basic agreements have been concluded by the central organisations of employers and workers providing for the establishment of production committees (in Norway) or works committees (Denmark and Sweden). These agreements become applicable in a given industry only when they have been accepted by the federations of employers and workers for the industry concerned.

The committees are set up in Norway in all undertakings employing at least 50 persons and in Denmark in all undertakings employing 25 persons, at the request of either the employer or the local workers organisation in the case of Sweden or of a majority of the workers in the case of Denmark.

The Scandinavian committees are advisory joint bodies—not necessarily with equal representation. Generally in Sweden, only the workers who are trade union members have the right to vote. In Norway, trade union membership is not required and all wage earners in the undertaking have the right to vote, but one of the workers' representatives must be a union shop steward. In Denmark, the trade union delegates are members of the committee as of right.

Since the committees were set up to increase production, they have, in this respect, functions similar to those of the Canadian and British committees.† In Norway and Sweden, the workers representatives have had a share in the rationalisation of production more especially in consequence of time study agreements. The Norwegian agreements stipulates that the production committee must be consulted before such studies are undertaken and provides for the election of staff delegates for the special purpose of examining these matters with the management. The Swedish agreement, which instituted joint agencies at the national and industrial levels to deal with time and motion studies, does not expressly provide that the works committee should examine such questions, but it would appear that these committees do act in an advisory capacity, and as a go-between for management and staff in this respect. The works committees are not qualified to deal with questions which are normally within the province of the trade unions.

The scope of the Scandinavian committees—and this is one of

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\*A. F. Stewart, British Institute of Management; "Recent Developments of Joint Consultation in Great Britain", in *O.O.N.F.* (monthly review of the *Commission Nationale de l'Organisation Franchise*). September 1948, p. 56

†See above:

the features which distinguish them from the production committees in Canada and Great Britain—covers both social and economic questions. With regard to social questions the Scandinavian committees must endeavour to ensure good relations between the employer and the wage earners, to improve conditions of work in the undertaking, especially as to the safety and hygiene, to see that the workers are happy in their work and to promote vocational training.

The Swedish agreement gives the committees an important part to play in maintaining security of employment. From this point of view, this constitutes an extension of the main agreement concluded in 1938 between the national central organisations of employers and workers.

Should an undertaking in Sweden close down either temporarily or permanently or reduce its activity to any considerable extent, the works committees must meet to study the question as far ahead as possible. If any report is made to the authorities in this connection, it must be communicated to the committee, which must be kept informed of developments. The agreement also provides that if there is any question of dismissing or suspending workers who have been employed in the undertaking for not less than nine months, the employer must, fourteen days beforehand, inform one of the workers' representatives on the committee of the step which is contemplated and give him a list of the workers who, in the employer's view, should be dismissed or suspended. The representative may demand that the question be laid before the committee and, if the workers are not satisfied with the measures subsequently taken by the employer, they may submit the question for conciliation to the Employment Market Board. Finally, if a worker is dismissed or suspended, owing to lack of work, and if the question of engaging or re-engaging workers in the same category arises during the next four months after this has been done, the workers' representatives may request that a meeting of the works committee should be held to determine which workers should be engaged or re-engaged.

In economic matters, the Scandinavian agreements confer particularly important functions on the committees. Stress is laid on the information which the employer must supply to the committee, concerning both the economic and technical conditions under which the undertaking is operating and the position of the undertaking in the market. Such information bears on reorganisation, measures contemplated, important changes to be made in the conduct of the business or in conditions of employment, new products and new methods of manufacture, particular economic conditions required for the fulfilment of production and selling programmes, etc. In Sweden, the production committee may inspect the balance sheet, the profit and loss account, and the directors' and the auditors' reports, where such reports are prescribed by law. The Danish and Norwegian agreements provide that the member of the production committees must receive the same information as is given to the shareholders. On the other hand professional secrecy is required of the workers' representatives, and it is sometimes specified that the information communicated to them must not be of a kind whose publication might cause prejudice to the employer.



Under the Swedish agreement, the information is to be supplied regularly and, under the Norwegian agreement, quarterly or yearly according to its nature. In Norway, the management must inform the production committee of any decision taken with regard to questions which the latter has had to discuss.

It is generally provided that the committees must consider workers' suggestions and, where appropriate, propose that the authors of suggestions accepted by the employer should be rewarded.

The agreements also contain various provisions concerning the procedure and membership of the committees, and the protection of members. In one form or another, there is always a provision to the effect that the works or production committees must not deal with the regulation of conditions of employment and other questions which are normally the subject of collective agreements. In Norway, it is provided that this does not prevent the committees discussing the introduction of new wage systems, although they have no power to conclude agreements on this question with management. The committees, therefore, do not in any way compete with the trade union organisation.

#### **(c) Practice in certain other countries.**

In Italy, in 1943, and again in 1947\*, the national employers' and workers' organisations agreed on the institution of works committees in undertakings employing more than twenty-five persons. These committees consist only of workers' representatives and their terms of reference are mainly confined to social questions. The 1947 agreement had also given them wide responsibility in the matter of dismissals, but this agreement terminated on 31st December 1948, and has not so far been renewed. On the whole, however, the works committees have continued to perform all their duties except those concerning dismissals, that is to say, they operate in fact on the basis of the 1943 agreement.

With regard to dismissals, two agreements were recently concluded between the national employers' and workers' organisations, one relating to dismissals in the case of retrenchment (April 1950), and the other to individual dismissals (October 1950). The later agreement, concluded under the auspices of the Minister of Labour and with his assistance, provides like that of 1947, for the examination by joint arbitration boards of cases of individual dismissal. Even if the arbitration board considers that dismissal is not justified, the employer may nevertheless maintain his decision—and this is the main departure from the 1947 agreement, which provided for reinstatement in such cases—subject to the dismissed worker being paid compensation additional to the usual dismissal indemnity.

When the country was liberated, management councils were set up under the direct influence of the trade unions in a number of undertakings—especially those of the I.R.I. group, and the Montecatini and Fiat concerns. Their terms of reference mainly covered economic

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\*See *International Labour Review*, Vol. LV.I, No. 1-2, Jan.-Feb. 1948, p. 72.

matters. In fact, it would appear that during recent years their terms of reference have been appreciably whittled down and a number of them have even ceased to exist.\*

A number of joint undertaking committees are also found in Ireland, where, moreover, several undertakings make arrangements enabling employees to put forward suggestions. Thus, at the end of 1948, a system of mutual consultation on questions of common interest in the social field was instituted in the big concern of Arthur Guinness & Co. (Dublin). This system consists of a general works council for the whole concern and a departmental council for each of the four main departments. A system enabling employees to put forward suggestions was also introduced in 1949.

In Japan, in a memorandum published in 1946, the Government recommended to employers and workers that they should establish management councils. The Central Labour Relations Council, which is entrusted with the administration of the Trade Union Law, has been asked to draw up model plans to serve as a guide in the institution of the councils. Composition is to be settled by agreement, but the workers' members must be elected in accordance with a procedure laid down by the trade union. The functions of the councils vary but must be clearly defined in the agreement. The terms of reference cover conditions of employment, safety and hygiene, production and output. Recruitment, dismissal and transfer of workers and job classification may also be discussed by the council. With regard to labour disputes, it must be provided that no step may be taken (strikes, lock-outs, etc.) until the question has first been submitted to the council.

The resolutions of the council are to be adopted unanimously. Provision must be made for conciliation or arbitration in the event of disagreement. These resolutions have the force of collective agreements, but are not compulsorily applicable to the undertaking unless they have been approved at a general meeting of the shareholders.

According to an enquiry made in July 1949, more than 12,500 trade unions with a membership of some 32,50,000 had concluded collective agreements providing for the establishment of management councils. It would appear that the councils may act as machinery for collective bargaining, as production committees and as agencies entrusted with the settlement of labour disputes. In the majority of cases, that they perform all three functions at the same time or they may perform only two of these functions. It appears that the councils have tended, in particular, to become agencies for the settlement of labour disputes.

In June 1949, the Employers' Association suggested the abolition of the councils and their replacement by three separate agencies to carry out these three different kinds of functions. The Trade Union Law, amended in 1949, deals with collective agreements and the settlement of disputes but makes no reference to joint councils. Its application was followed by a period during which no agreement was concluded and this weakened the authority of the councils because their

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\*Draft legislation concerning management councils has, however, been laid before Parliament.

standing appeared uncertain. However, a note addressed by the Ministry of Labour in 1949 to its local offices favoured the establishment in the undertakings of three distinct agencies for these three kinds of questions, and this certainly appears to represent the future Government policy.

### **Bodies set up by Legislation**

Legislation concerning works committees now exists in the following countries, namely, Austria, Belgium, Bolivia, Bulgaria, China, Czechoslovakia, Finland, France, the Federal German Republic, the German Democratic Republic, Hungary, India, the Associated States of Indo-China, Iran, Luxembourg, the Netherlands, Pakistan, Poland, Rumania, Spain, the U.S.S.R. and Yugoslavia. Only the systems in a number of these countries will be considered.

In Luxembourg, the basic legislative text is the Grand Ducal Order of 8 May 1925<sup>1</sup> and its subsequent amendments.

In most of the other countries, the existing legislation was only recently enacted, although in a number of countries, the new legislation has been based on pre-war precedents.

In Austria, the Act of 28th March 1947<sup>2</sup>, subsequently amended by various Ordinances, established a system of representation for the employees of establishments (works meeting and works council) which bears certain analogies to that instituted under the Act of 1919<sup>3</sup>. An Act of 30th June 1948 altered the period of office of staff representatives. An Act of 2nd June 1948 deals with the representation of wage earners in agriculture and forestry undertakings.

An Ordinance concerning production or management committees was promulgated in France on 22nd February 1945<sup>4</sup> which was brought in to force by the Decree of 2nd November 1945<sup>5</sup>. This Ordinance was amended by the Act of 16th May 1946, which widened the scope of the measure and gave the committees more powers.

In the Federal Republic of Germany, workers' participation in management dates back to the Works Councils Act of 1920. The matter is now governed, as regards private undertakings, by the Employees' Representation Act of 11th October 1952, by the Co-Management Act of 21st May 1951<sup>6</sup>; with respect to the federal administration, corporations, institutions and foundations set up under public law, by the Federal Employees' Representation Act of 5th August 1955<sup>7</sup>, supplemented by the works council laws of the Lander.

<sup>1</sup> L.S., 1925—Lux. 1.

<sup>2</sup> L.S., 1947—Aus. 2.

<sup>3</sup> See E. Adler: "The Works Councils Act in Austria", in *International Labour Review*, Vol. V. No. 3, Mar. 1922, pp. 411-436.

<sup>4</sup> L.S., 1945—Fr. 8.

<sup>5</sup> L.S., 1956—Fr. 8.

<sup>6</sup> *Industry and Labour*, 1 February 1953, p. 91; *The Development of Labour Law in the Federal Republic of Germany since 1945: II*, by H.C. Nipperdey; *International Labour Review*, August 1954, p. 148.

<sup>7</sup> *Industry and Labour*, 15 February 1956, p. 152.

In Belgium and the Netherlands, the legislation concerning works committees is directly related to general legislation concerning the organisation of the economy. In Belgium, the Act of 20th September 1948\* providing for the organisation of the economy set up the Central Economic Council, industrial councils and works councils. It contains general provisions and specifies that the details and application of the regulations will be determined by Royal Orders concerning either industry as a whole or certain industries. In the Netherlands†, the Act of 4th May 1954 deals only with works councils, but it is closely related to the question of the general organisation of the economy, and provides in several cases for action by the Economic and Social Council.

### **(a) Under takings covered**

Generally the legislation applies only to undertakings employing a specified number of persons (not less than five in the Federal Republic of Germany, 20 in Austria and Luxembourg, 25 in the Netherlands and 50 in Belgium and France). The Belgian legislation does not apply to public and semi-public services. In France, the regulations apply to all economic and industrial undertakings, of every kind. In Austria agricultural and forestry undertakings, public services and public transport enterprises and public educational institutions are excepted from the scope of the general law. The legislation in Belgium and in the Netherlands, however, contemplates the progressive application of the scheme laid down in the regulations.

### **(b) Structure of agencies**

In Belgium, France, Luxembourg and the Netherlands, the works committees are joint bodies usually consisting, on the one hand, of the head of the undertaking, and on the other, of a certain number of staff representatives, depending on the size of the establishment, subject to a maximum membership in some countries (for example, 25 in the Netherlands, 20 in Belgium, and 8 in France).

In Austria and in the Federal Republic of Germany, the works councils consist exclusively of staff representatives, also varying in number according to the size of the undertaking. In the Federal Republic of Germany in private undertakings normally having more than 100 permanent employees, there is also a second representative body known as the "economic committee", comprising not merely the elected personnel (as in the case of works councils) but representatives of the owner and of the personnel in equal numbers, the latter of whom include at least one member of the works council. There is also provision for two further representative organs in the undertaking, namely the assembly composed of all employees, which receive a quarterly report from the works council and may make proposals to it, and the general council in undertakings consisting of several establishments.

**As a general rule, staff representatives must be workers employed**

\*L.S. 1948—Bel., 8; *Industry and Labour*, 15 October 1953, P.320.

†*Industry and Labour*, 1 October 1950, p. 284.

in the undertaking. In Austria, however, if a committee has more than four members, one quarter may be trade union delegates not so employed, provided they may not belong to more than one works committee at one time. Staff representatives on the works committee are generally elected by secret ballot by the workers in the undertaking. But the regulations normally lay down certain conditions for eligibility as electors or candidates, often contain provisions concerning the representation of different groups of staff on the committee, and lay down the procedure for elections and relevant disputes and terms of office.

### (c) Functions

The functions of works councils vary appreciably from one country to another. They may be classified either according to the fields in respect of which the functions are exercised or according to the practical importance of those functions, that is to say, in accordance with the extent of the rights which they confer upon the members of the committees. In the first place, they may relate to the social field, to the technical field, or to the economic and financial field; but, on the other hand, according to the different cases, they are reinforced by rights the extent of which varies considerably: the members of the committee may merely have a right to receive information, or they may have a right to put forward suggestions and opinions, or they may have a right to press their demands before institutions outside the scope of the understanding.

In the Federal Republic of Germany, the Employees' Representation Act provides that action on a number of specific matters—including hours of work, the holiday schedule, vocational training, piece rates, methods of remuneration and particularly the determination of the works rules which govern the conduct of employees in the undertaking—can only be taken with the consent of the works council. This consent usually assumes the form of participation in a works agreement, i.e., the council and the employer together decide on certain rules which, like the stipulations of a collective agreement, apply directly and compulsorily to the individual conditions of employment.\* If agreement cannot be reached, the matter may be referred by either party to a mediation board composed of equal numbers of representatives of the employer and the workers, and its decision is binding. Works agreements may also deal with other social matters not enumerated in section 56 of the Act, but such agreements are voluntary, and in case of failure to agree it is not permissible to insist on a binding mediation award.

In the technical field the works councils have an advisory role similar to that of production committees whose functions were described earlier. Their functions in the social and in the economic and financial fields are described below.

1. **Social field.** In the social field there are generally several aspects to the functions of the works councils: the councils are em-

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\*For the mandatory effect of works agreements, see R. Dietz: *Das Betriebsverfassungsgesetz*, § 52, notes 13 ff.; and H. Galperin: *Das Betriebsverfassungsgesetz* (2nd edition), § 52, notes 55 ff.

powered to consider methods for improving the working and living conditions of the staff and for developing a spirit of co-operation in the undertaking ; sometimes, they have special functions with regard to engagements and dismissals ; finally they supervise or manage welfare schemes in the undertaking.

### **Improvement of Working and Living Conditions**

Under French legislation, the works committee has no power to take decisions about such matters ; its role is purely advisory. It may make suggestions as to the better arrangement of hours of work, scheduling of holidays with pay, equipment of workshops, health and safety conditions and even, since 1946, some aspects of wages. Netherlands legislation gives the committees somewhat similar powers.

Belgian legislation, on the other hand, allows the committees, in some cases, to take decisions or to exercise supervision. The works committee is expressly required to fix the dates for annual holidays and, if necessary, draw up a roster of the employees for this purpose, draft and amend workshop rules subject to the relevant legislation, and take all the necessary steps to keep employees informed of these rules, supervise the strict application of social and industrial legislation and the application of all general provisions affecting the undertaking", both in the social field and with respect to the specification of various grades of skill and, subject to the fulfilment of certain conditions, carry out the duties of safety and health committees. Austrian legislation and that enacted by the various *Länder* of the Federal German Republic also places considerable responsibility on the works councils with regard to the improvement of working conditions and the application of labour legislation.

While they have general powers in these various fields, the works committees may not, however, deal with questions which normally fall within the province of the trade union. They do not as a rule take part in collective bargaining, although they often have to supervise the general application of collective agreements or adapt such agreements to the undertaking (for example, adjustments of wages to suit local conditions, fixing of piece rates in the undertaking). For example, in the Federal Republic of Germany, following the rule giving statutory precedence to collective agreements, social matters already governed by a collective agreement or by legislation) cannot be regulated by a works agreement. Furthermore, the regulation of rates of pay and other conditions of employment in works agreements is prohibited if these matters are usually governed by collective agreements in the industry concerned, even if there is no such agreement actually in existence. Only the collective agreement itself may permit exceptions to this rule.

### **Promotion of a Spirit of Co-operation**

Several enactments make the works committee responsible for

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\*The Federation of Belgian Industries considers that this means "general measures taken by the head of the undertaking". The Christian Trade Unions, on the other hand consider that the law gives them the right to supervise the application of "all provisions or agreements concerning the undertaking".

promoting good relations between management and staff. Belgian legislation make it a duty of the works committee "to consider any action likely to promote the development of a spirit of co-operation between the head of the undertaking and his employees, for example, by the use of the language of the region in the internal affairs of the undertaking\*."

French legislation, while it does not make it a special function of the works committee, nevertheless indicates that the committee should "co-operate with the management" in the improvement of the conditions under which the employees in general work and live. It therefore defines very clearly the spirit in which the works committee should carry on its activities.

This marks the difference between works committees and other agencies representing the staff in some countries, particularly Belgium and France, namely, trade union delegates and staff delegates. The works committees are responsible for promoting co-operation whereas the staff delegates are responsible for submitting grievances. Thus the preamble of the French Ordinance of 1945 declares that "the works committee cannot be a body for formulating grievances", and the Reporter on the Belgian Act declared before the Chamber of Deputies: It is important not to confuse the functions of the works councils with those of the trade union delegates. The latter have especially the duty of formulating claims with regard to wages and working conditions and of supervising the application of collective agreements. This task is essentially different from that of the works councils which, moreover are founded on an entirely different basis."

The distinction gives rise to difficulties, but it was the intention of the legislative body that "there should be no opposition between the two institutions", the works committees and the staff delegated. "Each of them, in order to produce results, must be stimulated by a sound, vigorous, constructive and vigilant trade unionism".†

In some countries, on the other hand, the view has been taken that, because the works committees were entrusted with the promotion of good understanding between the employer and his staff, they had powers to intervene in, and help to settle, labour disputes. This is true, for example, in Germany under the Employees' Representation Act, which provides that if necessary a conciliation committee must be set up to settle disputes between the employer and the works council.

### Dismissals and Engagements

In Belgium, the works committee is an advisory body for such purposes. It has to consider what general principles should be followed in regard to the dismissal or engagement of workers. French legislation contains no specific provision about this. In Austria, on the other hand, the committees have important functions with regard to the termination of contracts of wage earners. If, contrary to the view of

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\*On the occasion when this draft legislation was being discussed by the Senate, the Reporter indicated that this example "obviously constituted only one suggestion among many others".

†*Les conseils d'entreprise* (Brussels, Editions de la F.I.B., 1950), p. 56.

the works council, the management decides to dismiss a wage earner, the council may, at the request of the worker concerned, appeal to the conciliation board if it considers that the reason for notice of dismissal being given arises out of the employee's trade union activities or his works council activities or, again, if it considers that the dismissal would constitute social hardship having regard to the personal situation of the worker. In the Federal Republic of Germany, the works council has a right of objection in case of engagements, changes of job and regrouping (personnel measures). If it does object after action has been taken by the employer provisionally on his own responsibility and an agreement cannot be reached, the council may appeal to the Labour Court for a reversal of the decision. But in cases of dismissal the council can merely insist on its objections being heard by the employer before the employment terminates; the employers is not required to take such objections into hand, and the works council has no legal remedy (it is considered that the individual employee has sufficient protection under the Dismissals Act of 10th August 1951).

### **Welfare Schemes**

Works councils have wide powers as to the management of welfare schemes. In France, for instance, the terms of reference of the works councils cover all welfare schemes instituted in the undertaking for the benefit of employees or former employees of the undertaking and their families, irrespective of the method of finance.\* As a rule the work committees manage these schemes themselves. This applies to all schemes that are not organised as bodies corporate: canteens, day nurseries, holiday homes, spare time and sports schemes, instruction in domestic science, and vocational training centres (except apprenticeship centres). In some cases, however, the works committees merely exercise supervision. This is so in the case of mutual benefit societies, social insurance funds established in the undertakings, schemes to provide workers with housing or allotments, and so on. In such cases the board of directors which administers these bodies must include two representatives of the works committee. In other cases, again, the committees are responsible for the management of the schemes. This is so when the schemes are organised as bodies corporate. At least half the members of the board of directors running such schemes must then be representatives of the works committee. Finally, the industrial committees share responsibility for welfare and medical services whose managers are appointed by agreement between the head of the undertaking and the committee, the appointment being referred to the labour inspector in the event of disagreement.

In order to carry out its duties, the works committee has legal personality and funds are made available to it. The funds are mainly derived from contributions made by the employer.

They are also supplemented by contributions which the committee may decide to levy on the staff without having power to make the levies compulsory, receipts derived from events organised by the committees, gifts, bequests and subsidies, and income derived from

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\*See Rene Petit; "La gestion des oeuvres sociales par les entreprises", in *Droit Social*, May and June 1946.



these different forms of property. At the end of each year the works committee must make a detailed report on its financial operations, which has to be made known to the employees of the undertaking by being posted up on the notice boards.

Where several undertakings run welfare schemes on a joint basis, the works committees of these undertakings must constitute an interworks committee consisting of a representative of the heads of undertakings concerned, acting as chairman, and two delegates from each of the committees.

In Belgium, the works committee is entrusted with the management of all welfare schemes organised by the undertaking for employees, unless the schemes are independently administered by the employees themselves.

In the Netherlands, the works committee takes part in the management of the social institutions of the undertaking when the administration of such social institutions is not regulated by law or otherwise.

In Austria, the committee may establish and be solely responsible for the administration of provident societies and other funds for the improvement of the well-being of the wage earners and of their families, or have a share in their administration where such funds have been instituted by the owner of the undertaking. Similar rights are accorded to the works committees in the Federal German Republic.

**2. Economic and financial field.** In the economic field the duties of works councils are, in some respects, purely advisory and in others, supervisory or executive.

In the first place, works councils generally have the right to submit opinions and suggestions on all important measures that might affect the organisation, management and general working of the concern. French law even specifies that in this field consultation with the works committee shall be compulsory, but this does not give the committee power to resist the employer's decisions. In order that the committee may give its opinion with full knowledge of the facts, the head of the undertaking must supply periodically (every three months under the Belgian law, every year under the Austrian and French laws) information concerning the general position of the undertaking: nature and volume of production, orders in hand, sales, and plans to improve the efficiency of the establishment, etc. Austrian law imposes this obligation only on establishments in which more than 30 persons are employed. Under French law, the committee must also be informed about profits and may suggest how they should be used; it may also express opinions on prize increases and may be consulted by the public authorities responsible for fixing and controlling prices.

In Belgium, works councils may also submit opinions or reports recording the view of their members on all economic questions within their terms of reference which have been submitted to them by the industrial council for the branch of industry to which the undertak-

ing belongs or by the Cenotral Econmic Council.

If their suggestions are not adopted, the works councils may sometimes apply to agencies outside the undertaking in order to have their views considered further. Thus, in Austria, in undertakings employing more than 500 persons, the works council may, if it comes to the conclusion that the economic policy followed by the undertaking is contrary to the general economic interest, decide, by a two thirds majority, to lodge a protest with the Austria Federation of Trade Unions. This protest is then submitted for decision to a tripartite State economic commission at the Federal Ministry for the Protection of Property and Economic Planning.

In economic matters, the works council in the Federal Republic Germany has co-management rights only in the case of action by the employer that may have a direct effect on the level of employment, i. e. in case of reduced production, the closing down of the undertaking, change of location, amalgamation with other undertakings, a fundamental alteration in the purpose of the undertaking or any of its plant, or the introduction of essentially new methods of work. In case of disagreement, the Employees' Representation Act permits recourse to a joint mediation board, the employer is not bound by any decision which this board may take, but he must pay compensation if he dismisses workers contrary to a conciliation proposal put forward by it. All other important economic action must be reported to the economic committee; in certain circumstances, the economic committee is entitled to offer advice, but the employer is not bound to follow its suggestions.

The regulations sometimes provide that the head of the undertaking must supply the works council with various reports and accounts showing the financial results of the undertaking, that is to say, in general, a copy of the balance sheet and of the profit and loss account. These documents are normally supplied at the end of the financial year and the head of the undertaking must give any necessary explanations. Belgian legislation provides that, if the members appointed to the works council by the workers so request, these documents shall be certified as correct and complete by a works auditor, whose rights and duties are similar, pending the enactment of special law to define his status, to those of the auditors of limited companies. According to French law, the communication of such documents is compulsory only if the undertaking is a limited company\*; the committee then examines the documents before the general meeting of shareholders and may call upon the auditors to attend in order to explain various items and the financial situation of the undertaking, and may make any relevant observations which must be laid before the general meeting of shareholders together with the report of the board of directors. During the meeting at which it examines the documents, the committee may have the assistance of a qualified accountant, at the expense of the undertaking.

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\*Only in the case of limited companies: this, at least, is the opinion which has been generally held following a decision of the Criminal Division of the High Court of Justice (*Cour de Cassation*)—Crim, 23 Dec. 1948—D, 1949, J. 83 and S, 1949, I. 54.

### (d) Operation

The regulations all contain a number of more or less comprehensive provisions intended to ensure the proper functioning of works committees. Some of these provisions concern the methods of operation of the committees; others lay certain specific obligations on the employer or the representatives of the staff; others again, are intended to give special protection to the staff representatives.

**1. Organisation of meetings.** Legislation generally provides that the work committee shall meet normally at regular intervals—once a month, for example, in Belgium and France. In France central works committee meetings are held at least once every six months at the head office of the undertaking.

The employer or his representatives generally acts as chairman. A secretary is generally elected by the committee from among the members representing the staff.

The regulations sometimes contain provisions concerning the agenda, discussions, minutes, the communication of committee decisions to the staff, the transmission of minutes and decisions to the authorities, etc. These points are usually covered in the works committees own rules. This is so in France where the legislation provides that each committee shall draw up its own rules. In some other countries, for instance Belgium, there is no legal provision for this.

**2. Specialised Sub-committees.** In order to perform its duties efficiently, the works committee is often empowered by legislation to form a number of specialised sub-committees. Thus, in France, it may appoint sub-committees for the investigation of special problems (occupational, social educational, etc.) and co-opt to these sub-committees experts and technicians belonging to the undertaking but not to the committee. Such persons attend the meetings in an advisory capacity and are bound to professional secrecy. The sub-committees report on their activities to the works committee.

In Belgium, the law provides that the committee may be subdivided into works-sections.

**3. Co-ordination and supervision.** In several countries, legislation has provided for the establishment at the national level of a joint or tripartite commission with the duty of supervising the general operation of works committees and of advising them how to direct their activities. This is so, for instance, in France, where the Higher Commission for Works Committees is responsible for supervising the application of the Ordinance by which they were instituted, of contributing by its advice towards the settlement of difficulties that the committees might raise, and in general, of studying all measures which are likely to ensure the effective operation of the works committees.

In the Netherlands, the Economic and Social Council exercises general supervision over the enforcement of the relevant Act, and

industrial commissions instituted by the Economic and Social Council for groups of particular undertakings supervise the operation of the works councils. The members of the industrial commissions are appointed by the Economic and Social Council on nomination by the representative organisations of employers and workers.

Further, legislation often provides for the appointment of officials to supervise the application of the regulations. Thus, in Belgium, officials appointed by the Crown have free access to establishments and may demand all necessary information for supervising the application of the regulations. At the request of the works council, they may also attend its meetings in an advisory capacity. In France, labour inspectors are given comprehensive supervisory powers and, in some cases, power to arbitrate in matters concerning the application of the legislation.

Supervision is generally reinforced by sanctions. Belgian and French legislation, for example, imposes a civil liability and penal sanctions in the event of contraventions or in that of deliberate obstruction.

**4. Obligations of the employer.** Generally speaking, not only must the employer abstain from any act likely to obstruct the committee but he must also do all he can to make the committee's work easy. First, he must provide the committee with various material necessities (premises, heating, lighting, etc.) ; the employer, moreover, is usually liable for the committee's general expenses ; in Austria, however, a works council contribution not exceeding one half of one per cent. of the gross earnings may be levied on the employees.

Further, the management must allow the members of the works committee time to perform their duties (apart from exceptional circumstances, not more than 20 hours per month in France, excluding attendance at meetings) and must pay them for time spent in attending meetings held outside working hours.

It is generally for the head of the undertaking to convene the works committee (except where, as in the Federal German Republic and in Austria, the committee is not a joint body). In Belgium, the employer must convene the council when at least half of the members representing the employees so demand. In France, if he fails to convene the committee, the latter may, at the request of half of its members, be convened by, and meet under the chairmanship of the labour Inspector.

A further obligation on the part of the employers is, as already noted, to make available to the committee all the information it requires to perform its duties.

**5. Obligations and protection of committee members.** The various regulations also impose certain obligations on committee members, who, acting as intermediaries between the employer and his staff, have duties to both.

It generally follows, if not from the actual text of the relevant

legislation at least from work preparatory to the enactment, that members of the committee must respect the authority of the head of the undertaking and his decisions, unless these decisions violate a right which is clearly accorded to the committee by legislation. Netherlands legislation, for example, stipulates that the works council must perform its functions "without prejudice to the independent nature of the employer's role". They must also respect the rules of the undertaking.

Being in a position of trust, members of the committee are also, under most regulations, bound to professional secrecy; they have no right to divulge or to make use of information of a technical or economic character which has been communicated to them by virtue of their office and which is a professional or commercial secret. But French legislation confines professional secrecy to questions relating to manufacturing process.

The committees must also maintain contact with the staff whom it is their duty to represent. Accordingly, reference is made in many of the regulations to such points as the publicity which they must give to their activities and the account of their activities which they must furnish at regular intervals to the general meeting of the staff (in Germany, for example). Most of the regulations provide that members of the committees shall have special protection against any discriminatory measures on the part of the employer, and, particularly, against dismissal on the ground of their activities as staff representatives.

A discussion of the experience in the practical application of the legislation concerning works committees may be found in page 77-84 of the Report on Co-operation in Industry, New Series, No. 26.

### **Workers' representation in the managing or supervisory bodies of undertakings, publicly operated services and nationalised industries**

#### **Private undertakings**

Austrian and French laws confer on the works committees of limited companies the right to delegate two of their members to the boards of directors. In France, these delegates attend only in an advisory capacity; in Austria, they have the same rights and obligations as other members of the board.

In the Federal Republic of Germany, the Employees' Representation Act provides that in all share companies, except those of the mining and Iron & steel industries and some small undertakings with not more than 500 employees, one-third of the members of the supervisory boards must be elected by the employees of the undertaking qualified to vote. A number, not exceeding two, of the employees' representatives must themselves be employed in the undertaking; the remainder need not be so employed. The employees' representatives have exactly the same rights as those of the shareholders.

On the other hand, the Co-Management Act, which applies to share companies of the mining and iron & steel industries, provides for equal representation of employees and shareholders on the supervisory boards. The nomination of all the employees' representatives must be preceded by consultation with the trade union represented in the undertaking and with their federation ; two of these representatives, who must be employees of the undertaking, are nominated by the works council, the remainder by the trade union ; in neither case can the nomination be challenged. It is further provided that the board of management of each company must include a labour manager with the same rights as the other members of this board ; he is not considered duly elected unless a majority of the employees' representatives on the supervisory board vote for him.

### **Publicly operated services**

In a number of countries the workers, through their representatives, participate in or are associated with the management of certain publicly operated services-in particular, the railways,

To mention a few examples only, one or more representatives of the staff are appointed to the boards of management of the State railways in several countries (e. g., Belgium, Canada, France, Italy, Norway, Switzerland, etc.,)

Three of the 21 members of the board of management of the Belgian State railways are designated by the railwaymen and two of eight members of the Norwegian board are similarly nominated.

In Switzerland the general secretary of the union concerned represents the staff on the board of management of the federal railways and, in the case of some of the small private railways, a member of the staff sits on the board of management as a member designated by the cantonal Government.

In France, since 1938, five representatives of the railway unions, of which four are designated by the National Federation of Railway-workers and one by the Federation of Christian Trade Unions, have sat on the board of management of the national railway company.

In Canada, the unions have one representative on the board of directors of the Canadian National Railways.

### **Nationalised Industries**

While nationalisation in Western Europe has been limited to a few of the most important industries in France and the United Kingdom and the electricity industry in Austria, in Eastern Europe by far the greater portion of industry has been nationalised. The problems of co-operation, and especially the manner of their solution, have been very different in the two cases. Only the position in Western European countries will be considered here.

(a) **Workers participation in Administration in France and Austria.**

In France, after the war, the main workers' organisation demanded the participation of workers' representatives in the actual administration of nationalised industries. They argued that the interests of the great capitalists should be eliminated, that bureaucratic control should be avoided and that the nationalised companies should be administered by boards of directors representing all classes of workers' the interests of consumers and the interests of the State.\*

The legislature has, generally speaking, made the administration of the nationalised undertakings a matter genuine co-operation by giving to them the status of public nationalised institutions of an industrial or commercial character, endowed with legal personality and financial certain autonomy, and administered in the interests of the community by all the parties concerned-the public authorities, consumers, staff and producers.

The most important and the most regularly observed of the general principles in this connection is that which brings together on boards of directors representatives appointed by the State, representatives of the staff appointed by the most representatives of the trade unions, and representatives of the general interests of the country, chosen in most cases by trade union federations, large-scale family associations or various groups of consumers and users†.

The management of the nationalised fuel mines throughout the whole territory is entrusted to a national coal board, the *Charbonnages de France*. This board was given the functions of directing, supervising and co-ordinating the operation of the various coalfields, submitting for Government approval a plan for coal production and re-equipment advising on import and export schemes and fuel prices, promoting research and the training of workers, etc. Each coalfield was placed under a regional board established as a public corporation responsible for production, operation and marketing. Six members of the national coal board represent the State and are appointed by the Ministers concerned, six represent consumers (three for industrial consumers and three for domestic consumers, one of the latter being appointed by family associations and two by trade unions) and six represent the different grades of staff (manual workers, salaried employees, supervisory staff, engineers and higher grades), being appointed on the recommendation of the most representative trade unions. Though this two fold method of representation, therefore, the trade unions provide eight of the 18 persons entrusted with the over-all management of this important industry. Of the 18 members of each regional board, seven representing the various grades of staff, are appointed by the most representative trade unions in the coalfield. The director-general of each regional board is appointed by the competent Minister on the recommendation of the board itself.

**The nationalised electricity and gas undertakings are administered**

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\* *Labour-Management Co-operation in France, I. L. O. Studies and Reports, N. S. 9, Geneva, 1950, pp. 109 et seq*

† *Inventaire de la situation financière, 1913-1946.*

respectively by the electricity board, *electricite de France*, and the gas board, *Gaz de France*. Each is placad under a council of 18 members-six representatives of the workers (three for administrative and technical grades, one for salaried employees and two for manual workers) appointed on the recommendation of the most representative trade unions. In each region there are electricity distribution departments and gas production and distribution departments administered by boards appointed by the national services. Of the 18 members of each administrative regional board, four represent the National Board, eight represent the consumers and six represent the various grades of workers and employees.

With regard to banking and insurance, there are no over-all administrative boards at the national level, each of the nationalised undertakings having its own separate board. Here again, however, the direct participation of organisational representatives is equally marked.

The staff are represented on the General Council of the Bank of France. Each of the four main deposit banks which have been nationalised is managed by a Board of 12 members—four chosen by the Government from among persons engaged in industry, commerce or agriculture, and four appointed on recommendations made by the most representative trade unions concerned (two chosen from the higher grades and two from the subordinate grades of the staff of the bank) and four other members appointed by the Minister of Finance (two representing public credit institutions and two being persons with a wide experience of banking). The President of each bank is elected by the board, subject to approval by the Minister of Finance. The nationalised insurance undertakings are also managed by boards, each composed of a Chairman, appointed by the Minister of Finance after consultation with the board, three members appointed by the National Insurance Council for reasons of technical ability, three members representing the State, three members representing insured persons and three members appointed by the most representative trade unions (one representing employees, one representing senior staff and inspectors and the third representing agents).

Although there are no general boards of management for banking and insurance at the Industrial level, there are advisory agencies at that level in which trade union representatives also participate. The French Act of 2 December 1945 concerning the organisation of credit set up a National Credit Council as the Central Agency of the new financial system. Of its 38 members, seven are nominated by the most representative trade unions, three to prevent their general interests, appointed by the Minister of National Economy, and four to represent the various grades of bank staff, appointed by the Minister of Labour. The National Insurance Council is the Central agency which advises the Minister of Finance on all measures concerning the general activities of nationalised and non-nationalised insurance undertakings. Under the chairmanship of the Minister of Finance, it is composed of 21 members—seven representing the State, appointed by the Ministers concerned, seven representing insured persons, appointed respectively by the trade unions, the chambers of commerce, the trade chambers, the French Chamber of Foreign Trade and the



family associations, and seven representing persons employed in insurance, appointed by the federations, trade unions or other national associations concerned (one for managers, one for the higher grades and inspectors, two for clerks, two for agents, and one for the staffs of agricultural mutual insurance funds).

The Austrian Government also has given effect to the principal of direct co-operation by representatives of occupational organisations in the management of the nationalised electricity services. The co-ordination of the regional and special electricity services is entrusted to a central company established on a commercial basis. One third of its board of directors are appointed by the Central Government, one third by the various regions, while one third must consist of at least one representative of the Chamber of Labour, one representative of the chambers of agriculture and one representative of salaried employees and workers in the nationalised undertakings.

In 1951 there was set up a joint Advisory Council for nationalised industries, composed of four representatives of the nationalised industries and four workers' representatives, with the function of examining any social questions concerning the worker in these industries\*.

#### **(b) Joint Advisory Machinery in the United Kingdom.**

In the United Kingdom, on the other hand, the Government rejected at the outset theory that representatives of trade unions or employers' organisations as such should participate directly in the management of the nationalised industries.

The Government did not permit representatives of employers' or workers' organisations to sit as representatives of those organisations on any of the public authorities it set up. It appointed independent persons to the boards of all the nationalised industries. The boards as now constituted do in fact include ex-employers and ex-trade union officials. But when this has happened they have been chosen—by the Government itself—purely on the ground of qualifications and not in a representative capacity. Moreover, when so chosen, they have been required to surrender their industrial interests or sever their trade union connections as the case may be.

At the same time, the Government took steps to ensure development on an advisory basis of co-operation by representatives not only of the persons engaged in the industries concerned but also of consumers. Furthermore, the Acts all require the agencies of management established under them to seek by agreement with organisations representing the workers the institution of permanent machinery—unless adequate machinery already exists for the purpose of collective bargaining and the avoidance or settlement of disputes. In fact, as will also be seen, agreements the main nationalised industries have established joint agencies for consultation on much broader matters.

The present structure when it was in the planning stage in 1944 was approved in general terms both by the Trade Union Congress and by the Labour Party.

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\* *Industry and Labour*, 15 September 1951, P. 231

The essential difference between consultation and control is that in consultation, the power of decision remains one-sided in the hands of the employer or management, however much the decisions may be influenced by the attitudes of those who are consulted...Trade unions could not pass beyond joint consultation to joint control without having to assume a degree of responsibility going far beyond that which mere consultation involves. In sharing in the power of decision they would necessarily come to share in the responsibility for the proper conduct of the industry or establishment, in the public interest; and it is clear that this might involve for their representatives a conflict of loyalties when what they thought desirable in the interests of industrial efficiency clashed with what their members wanted, or were prepared to accept without serious protest. Trade unions, in effect cannot easily double the parts of (a) protective agencies, democratically responsible to their members and required to carry out their members' wishes, and (b) joint policy-makers and managers of industry, responsible to the Public as a whole for carrying out its wishes and for furthering the highest possible efficiency of production. In the last resort these two functions would be bound to show themselves incompatible at certain points...many of those interested in industrial democracy judge that these difficulties make it undesirable for workers or their organisations to have a direct share in management, and that effective consultation, reinforced by a continual widening of the scope of collective agreements is the trade unions' best form of approach to industrial democracy.\*

Proposals have been put forward at Congresses held since the war for direct participation by trade union representatives in the management of nationalised industries.

One group has demanded that these branches should be organised in the form of industrial parliaments. A representative of the Chemical Workers' union put forward the following resolution at the 1950 Congress.

Congress, whilst registering its complete support of the principles of nationalisation, is of the opinion that the existing methods of control and administration are not in keeping with democratic principles and have not fulfilled the hopes of the industrial workers. Congress therefore urges the General Council to consider at the earliest, possible moment an entirely new structure of administration and control based on the establishment of industrial parliaments for each of the nationalised industries. Such parliaments to have limited aims as laid down in the Nationalisations Acts but full executive powers within the democratic limitations of the British Constitution.

The General Council's view was that methods of parliamentary government could not be translated into industrial affair and that "the application of industrial democracy to industry has got to be through the development of the process of joint consultation". The resolution was defeated †.

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\* Hugh Clegg *Labour in Nationalised Industry*. Interim Report of a Fabian Research Group (London, Fabian Research Series No. 141, 1950), pp. 12-13.

† Trade Union Congress, *Brighton Congress, Report 1150*, pp. 512-514.

A second group, in which the National Union of Railwaymen has been prominent, has urged that some direct trade union representatives should be appointed to the boards, but not necessarily as many as half the total. This kind of reasoning inspired the second resolution on this question as the 1950 Trades Union Congress at Brighton which was put forward by a representative of the Association of Supervisory Staffs, Executives and Technicians :

Congress places on record its concern at the nature of appointments made to boards and similar bodies in nationalised industries at all levels. Feeling that insufficient use is made of the wealth of knowledge and ability to be found within all ranks of the trade union movement, Congress calls upon the General Council to make representations to H.M. Government to ensure that at least one third of the members appointed to the boards of nationalised industries shall be representatives of the trade union movement of whom at least half should have worked in the industries concerned.

The General Council stated that the T.U.C. was committed to a different conception than that envisaged in the resolution and declared that "we do not regard those boards as representative bodies representing interests". This resolution also was defeated.\*

A third resolution, sponsored by the National Union of Mineworkers, was in the following terms :

That this Congress is of opinion that trade union representation on the board of any nationalised industry or on the board of the nationalised section of any industry shall be from the union organising that industry and instructs the General Council, when consulted by the Government, to make recommendations accordingly, after consultation with the union concerned.

But the Council argued that the Government must be allowed to choose the best men available in the interests of the community as a whole. The resolution was lost on a card vote by 5,613,000 votes to 11,69,000†

Finally there is a school of thought which favours the appointment of more members drawn from the working class movement but not representing the trade unions as such, thus leaving the unions free to follow their traditional function of independent protection of their members' interests. This school, therefore, while accepting Ministerial nomination as the method of appointment, without any representative element, has asked for "the appointment of more persons drawn from the working-class movement, both as board members and as senior officers." This demand has received the endorsement of the Trades Union Congress.‡

The Government has in fact fulfilled the principle of independent representation in its constituent of machinery of management pursu-

\* *Ibid.*, pp. 514-517

† *Ibid.*, pp. 517-521.

‡ *Labour in Nationalised Industry. op.cit.*...7,p

ant to the nationalisation Acts while at the same time establishing advisory machinery in which organisational representatives play their part. It is with respect to the operations and functioning of the machinery of management of the nationalised industries that advice is tendered through the advisory agencies set up either under the relevant statutes or by agreement.

As already indicated, consultation with the unions, especially on terms and conditions of employment, is required under all the Acts nationalising industries, to be ensured through the establishment of appropriate joint machinery, if it does not already exist. This clause is being rapidly implemented in the case of each nationalised industry. It is of interest to note, however, that some of the bodies set up pursuant to this general provision provide consultation also on matters rather beyond the scope of ordinary, collective bargaining. This is the channel, in fact, through which occupational organisations can play their greatest part in rendering advice on the actual conduct of the industries.

Thus, pursuant to the provisions of the Gas Act, 1948, a joint industrial council was set up in October 1949, to secure joint action between the Gas Council and manual employees for the safeguarding and development of the industry, for general improvement of working conditions and for the attainment of higher output. The functions of the joint council with regard to wages and conditions are specifically without prejudice to the general nature of the functions first mentioned.

The British Electricity Authority and nine unions concerned, by an agreement of 1 January 1949, set up a national joint advisory council, with district joint advisory councils for each area and, at the lowest level, local advisory committees. The national council is to have a maximum of 79 members (57 representing the boards and 22 representing the unions). Its functions are to promote and encourage measures affecting safety, health and welfare of employees and to discuss other matters of mutual interest including efficiency in the operation of the services of the boards; to consult on measures for advancing the skill of employees and for improving the efficiency of their equipment; and to consider any matters in relation to the aforesaid subjects which may be referred to the council by an appropriate authority for consultation or advice. This council does not negotiate terms and conditions of employment or undertake the prevention or settlement of disputes.\*

A national consultative council for the coal mining industry was established by agreement on 27 November 1946. It consists of 27 members—six appointed by the National Coal Boards nine appointed by the National Union of Mineworkers, nine appointed by the National Association of Colliery Managers and three appointed by the National Association of Colliery Overmen, Deputies and Shotfirers. The chairman of the National Coal Board acts as chairman of the council. Its functions are—

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\* *Industrial Relations Handbook* op cit., pp. 80 et seq.

.....to provide a regular means of consultation between the Board and organisations appearing to them to represent substantial proportions of persons in the employment of the Board, or any class of such persons, on: (i) questions relating to the safety, health and welfare of such persons; (ii) the organisation and conduct of the operations in which such persons are employed and other matters of mutual interests to the Board and such persons arising out of the exercise and performance by the Board of their functions. Questions relating to terms and conditions of employment are excluded from consideration by the council. Provision is made for the establishment of divisional, area and colliery consultative committees\*.

Finally, the British Transport Commission and the main unions concerned entered into an agreement in December 1948 to establish a British transport joint consultative council, to include among its members the members of the British Transport Commission and its six executives and representatives of the National Union of Railwaymen, the Associated Society of Locomotive Engineers and Firemen, the Railway Clerks' Association, the Transport and General Workers' Union and the Confederation of Shipbuilding and Engineering Unions. The purpose of the Council is- .....to provide by regular meetings opportunity for the exchange of information and views upon matters of common interest in relation to inland transport and the activities of the British Transport Commission and its executives, not being questions of wages or conditions of services or otherwise coming within the scope of the established machinery of negotiation or matters dealt with or to be dealt with by any statutory committee†.

### **The System of Auto-Management by Workers in Yugoslavia**

A Basic Law respecting the administration of public undertakings and associations of undertakings by the staff employed therein was passed in Yugoslavia on 2 July 1950.‡ It brought an end to the system of economic administration and introduced the principle of self-government in the economy.

Under this new system, the workers carry out the administration of undertakings through two elected bodies, the workers' council and the management committee. The workers' council is elected for one year at a time by direct secret ballot of all the workers and official in the undertaking. It elects from among its members the management committee, which controls the immediate administration of the undertaking and is answerable to the workers' council. The workers' council may, if it considers necessary, dissolve the management committee before the expiry of its term of office and elect a new committee. The workers' council also appoints and removes the managers of the undertaking; the manager ~~is an official~~ a member of the management committee, to which he is answerable.

\* *Ibid.*, p. 67.

† *Industrial Relations Handbook*, op. cit. p. 95.

‡ L. S. 1950 - Yug. 2, *Industry and Labour*. 1 June 1954, p. 471. *The Management of Undertakings by Workers in Yugoslavia*, by Radivoj Ugalic (International Labour Review, March 1954, p. 235; co-operation in industry (N.S. 32) pp. 107 to 109, National Academy)

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